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# Customer Lifetime Value



A guide by **Data Drillers**

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# 1. Intro

- We recently acquired a down-market brand with a significant customer base. We aim to compare the distribution over lifetime values for down-market customers to the lifetime value of our up-market customers.

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# Business Question & Hypothesis

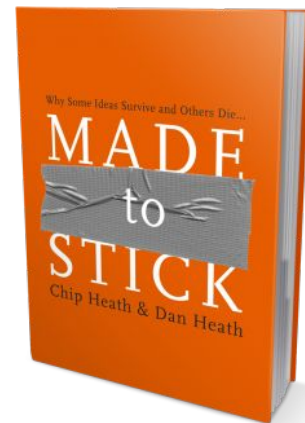
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# Business Question

1. What's the distribution of downmarket CLVs compared to upmarket customer CLVs?
2. What products should we be promoting more and to whom?
3. How do we create a campaign to our most valuable customers? And who are these customers?

## Hypothesis

We believe that upmarket customers will have a higher percentage of customers with higher customer lifetime value (CLV) compared to down market customers.



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# Data and Method

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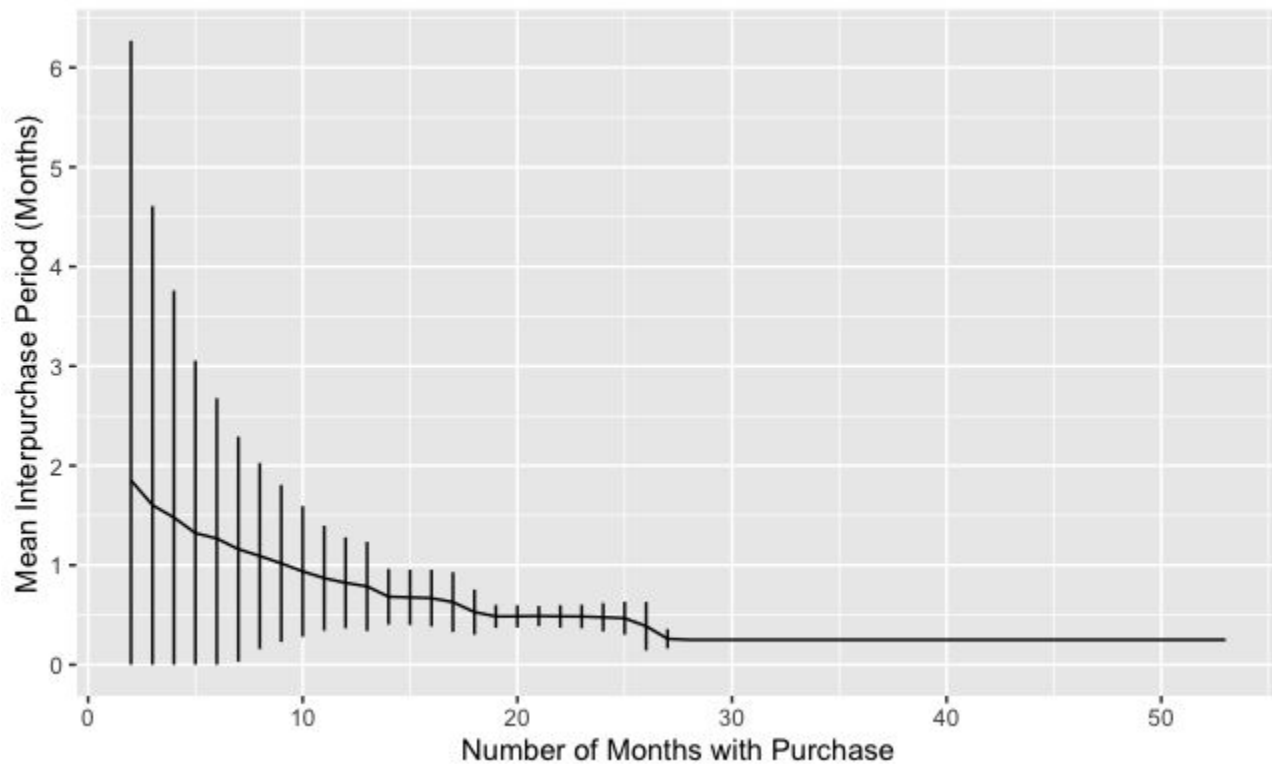
- Full data set acquired from down market brand
- Pseudo churn model: Running regression on binary variables
  - Influencer orders, Group orders, Business orders, Promotion orders, Return orders, Retail orders
- Interpreting results
  - Coefficient  $> 0$   $\rightarrow$  Customer churned
  - Coefficient  $< 0$   $\rightarrow$  Customer did not churn
  - P value  $\leq .05$   $\rightarrow$  Statistically significant
- Assumptions: Variable definitions, dataset representative of all downmarket customers

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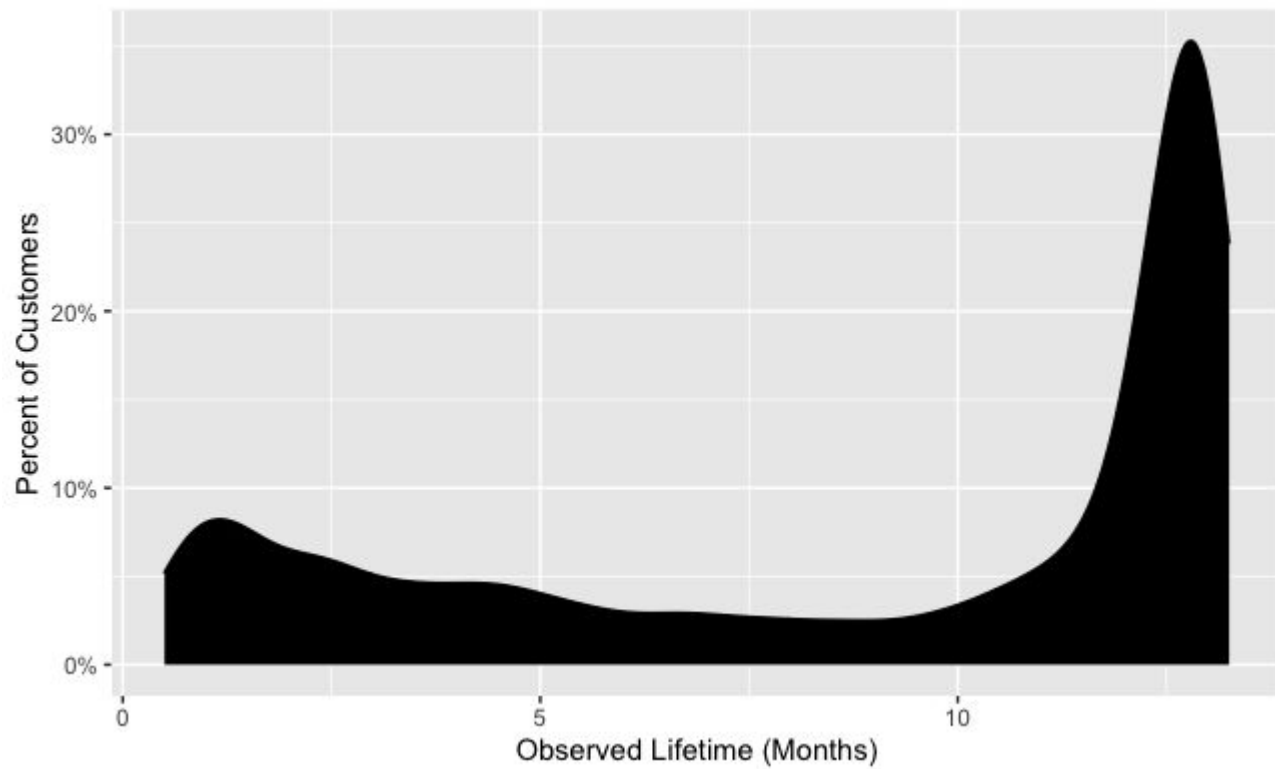
# Findings

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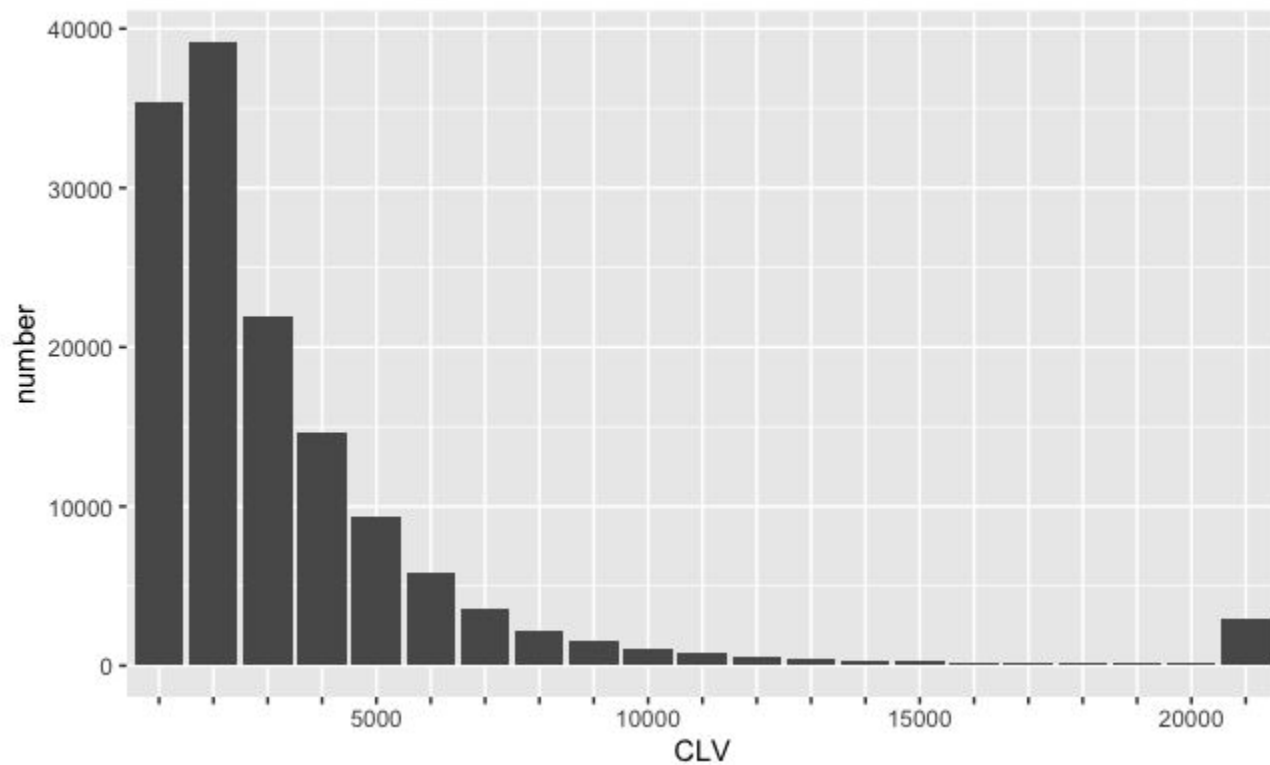
# Current Churn







# Current CLV



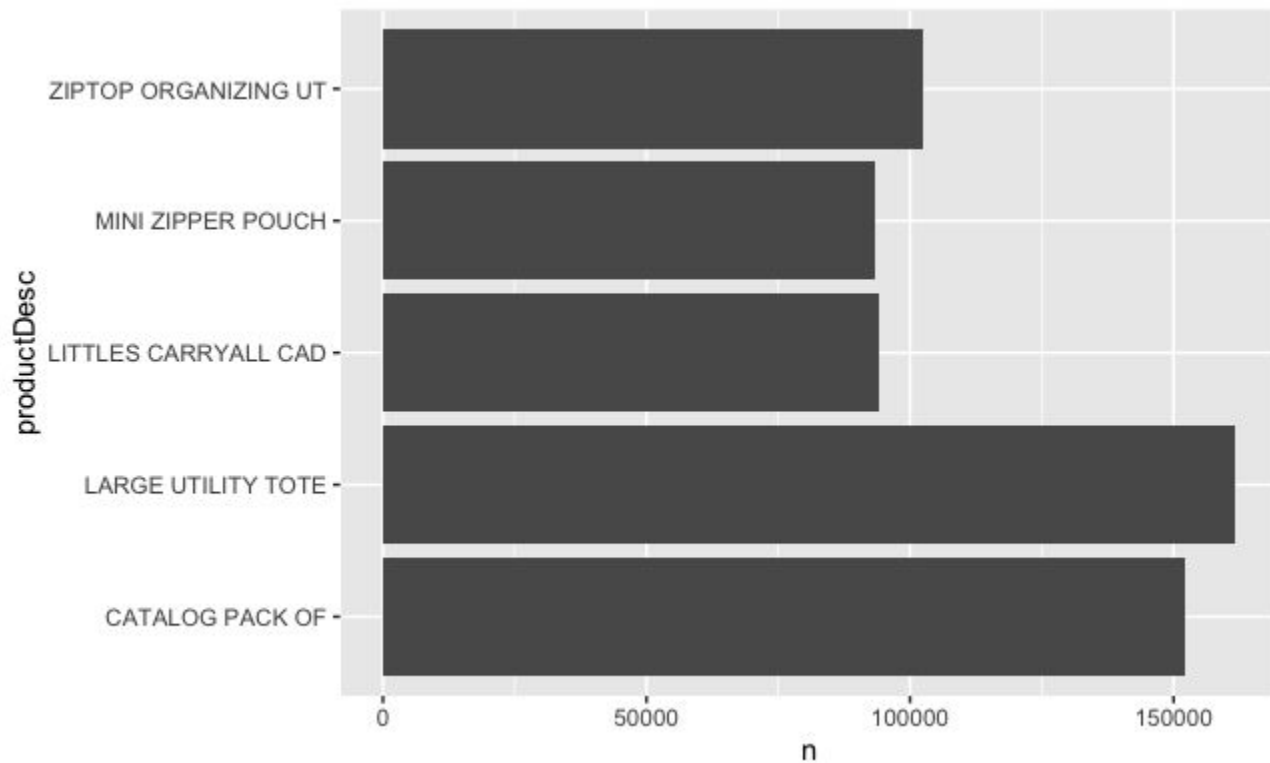
# Customer Segmentation

Coefficients:

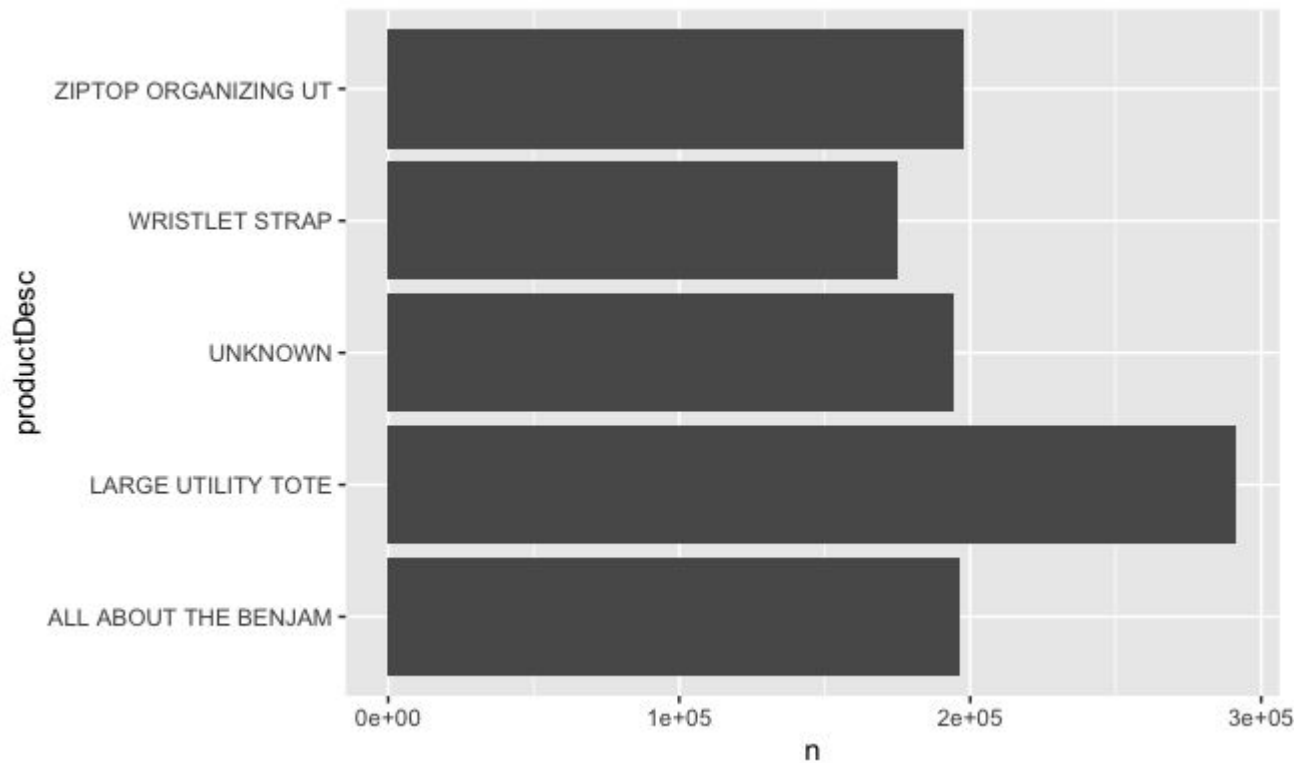
	Estimate	Std. Error	z value	Pr(> z )	
(Intercept)	-4.178e+00	1.717e-02	-243.394	< 2e-16	***
timelag	1.091e-01	1.347e-03	80.955	< 2e-16	***
lifetime_seq	-6.593e-02	6.162e-04	-106.997	< 2e-16	***
gross	5.357e-04	6.355e-05	8.430	< 2e-16	***
week	7.285e-02	6.601e-04	110.368	< 2e-16	***
num_sku	-2.847e-02	2.651e-03	-10.736	< 2e-16	***
Influencer_order	-1.659e-01	4.117e-03	-40.305	< 2e-16	***
Group_Order	-4.523e-02	3.907e-03	-11.577	< 2e-16	***
Business_Order	-6.110e-02	5.210e-03	-11.727	< 2e-16	***
Promo_Order	2.349e-02	6.241e-03	3.764	0.000167	***
Add_on	6.238e-02	2.483e-02	2.513	0.011985	*
Return_order	2.157e-03	1.048e-02	0.206	0.836949	
Retail_order	2.434e-03	4.361e-03	0.558	0.576732	

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# Business Order Products



# Influencer Order Products



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# Discussion

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COACH  
FACTORY

## Down-market Customer

- Consist of mostly middle to upper middle class
- A few big and loyal spenders
- The richer, the more loyal
- More recognizable and affordable products (tote, carryall bag, etc.)

# Popular Products - Business



*Mini Lillie Carryall*



*Zip-Top Organizing Tote*



*Utility Tote*



# Popular Products - Influencer



*Zip-Top Organizing Tote*



*Wristlet Strap Wallet*



*Utility Tote*

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# Recommendations

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# Recommendations

## Airline companies

- Biggest customers
  - (business groups)
- Exposes our items to a large group of those who churn
  - Between up-market and down-market customers
- Potential deals to increase sales





**Briefcase**



**Tote Bag**



**Travel Bag**

Disadvantages?...

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# Impact

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# Impact

- **Partnership with an airline company**
  - **Product supply**
    - increase product exposure to employees/passengers
  - **In-flight shopping**
    - reasonable/easier shopping experience
    - Recognizable, affordable products
  - **Enabling purchase with flight miles**
    - benefit both sides
    - gain customers from airline customer base

**Overall: secure customer base, decelerate churn rate, long-term increase in revenue**

# Action Plan

- Long-term partnership contract with an airline company
- Product supply for airline company employees
- In-flight shopping service for customers
  - Potential partnership with a third-party company to offer in-flight digital contents on display
- Option to purchase with flight miles & exclusive deals

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# Q&A

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