Customer Lifetime Value

Saqib Ali

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You work as an analyst for *Spotifoo*, an online music streaming service. Spotifoo charges its customers a low fixed rate to stre Management wants to:

1. understand who their best customers are.
2. create a customer lifetime value (CLV) model that predict the lifetime value of each customer after their first month on the *Spotifoo* service.

The data assets are available to you are: - user attributes (demographics, locations, customer survey responses, etc.) - purchase history (items purchases, date/time of purchase, purchase amount, etc.) and, - product attributes (product, product type, etc.)

For each management question, describe your process. In particular, describe: - the response you would use for your model, - what predictors you would use, - what errors you will use, - how you get a training and test data set, - the modeling techniques you would use

Who Are *Spotifoo*'s best customers?

The Best Customers are who SPEND the most in purchasing addition items

Customer Lifetime Value

Response Variable / Dependent Variable

The response will be Catogerical Variable of the Binned [Sum of [item purchased * the cost of the item]]. For e.g. Total Spend > 100 = Excellent; Total Spend $> 50 < 100$ = Good etc.

Predictors

The predictors to use in this Model would be the Demographics of the Customer, Location

Model Selection

With our Response Variable being a Categorical Variable this is Classification Problem. I would start with a Logistic Regression and compare the results with KNN, Random Forest and GLM