CUSTOMER AND PRODUCT PROFILING

One of the most important parts of any business is understanding who your customer is. **Customer profiling** is a way to create a portrait of your **customers** to help us make design decisions concerning our services. The target customers are broken down into groups of customers sharing similar goals and characteristics and each group is given a representative with a photo, a name, and a description. In layman terms customer profiles are "**customer types**," which are created to represent the typical users of a product or service, and are used to help make customer-focused decisions without confusing the scope of the project with personal opinion.

Product profiling: linking key products and service requirements to process capabilities. In lay man terms it mean :when to produce, what to produce, how much to produce and for whom to produce. An accepted best practice in inventory planning is to adhere to the **Pareto Principle,** also known as the 80/20 rule.For inventory planners, this is also often referred to as product profiling, or **ABC profiling**.

Market segmentation: is the process of dividing the user base into subgroups based on their behavior and other types of shared characteristics. Together with customer profiling and product profiling we can create effective market segmentation. This will help companies in providing customized products for each user segment.

Customer segmentation: is a process where we divide the consumer base of the company into subgroups. We need to generate the subgroups by using some specific characteristics so that the company sells more products with less marketing expenditure. These subgroups are called **segments**. We need to create the groups in such a way that each subgroup of customers has some shared characteristics.

Companies can use the result generated by market segmentation and predictive models for direct marketing, site selection, customer acquisition, and customer relationship management. In short, with the help of customer and product profiling, the company can decide the most optimal and effective marketing strategy as well as growth strategy. The company can achieve great results with a limited amount of marking expenditure.

The said machine learning model effectively creates clusters for various customers and products and then classifies the customer data into various clusters based on their product preference and buying behaviors

When we have different segments, we can design a customized marketing strategy as well as customized products that suit the customer of the particular segment. This segment-wise marketing will help the company sell more products with lower marketing expenses. Thus, the company will make more profit.

Customer segmentation is used among other domain such as the retail domain, finance domain, and in customer relationship management (CRM)-based products.