# Customer Segmentation

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### **Problem Statement**

Marketing would like to increase email campaign engagement by segmenting the customer-base using their buying habbits.

## **Solution Summary**

The data science team has identified 4 customer segments. The 4 customer segments were given descriptions based on the customer's top product purchases.

- 1. Segment 1 Preferences: Road Bikes, Below \$3200 (Economical Models)
- 2. Segment 2 Preferences: Mountain Bikes, Above \$3200 (Premium Models)
- 3. Segment 3 Preferences: Road Bikes, Above \$3200 (Premium Models)
- 4. Segment 4 Preferences: Both Road and Mountain, Below \$3200 (Economical Models)

## **Customer Preferences**

### Heat Map

Our customer-base consists of 30 bike shops. Several customers have purchasing preferences for Road or Mountain Bikes based on the proportion of bikes purchased by category\_1 and category\_2.

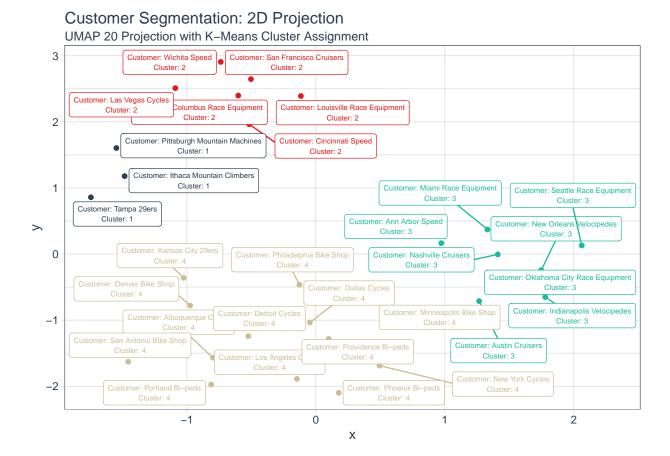
**Heatmap of Purchasing Habits** 

		Mountain							Road		
	Albuquerque Cycles -	17%	3%	5%	12%	13%		2%	24%	19%	5%
Customers	Ann Arbor Speed	5%	1%	3%	8%	7%		7%	37%	24%	9%
	Austin Cruisers	9%	1%	2%	12%	7%		4%	37%	20%	9%
	Cincinnati Speed	15%	0%	7%	1%	6%		6%	31%	24%	9%
	Columbus Race Equipment	18%	1%	8%	2%	8%		5%	28%	24%	8%
	Dallas Cycles	18%	1%	5%	19%	9%		5%	21%	18%	4%
	Denver Bike Shop	24%	3%	9%	17%	18%		4%	14%	9%	3%
	Detroit Cycles	17%	1%	9%	10%	12%		6%	22%	18%	6%
	Indianapolis Velocipedes	10%	1%	1%	12%	4%		4%	38%	24%	6%
	Ithaca Mountain Climbers -	30%	2%	17%	9%	18%		2%	11%	8%	3%
	Kansas City 29ers	26%	3%	9%	16%	18%		3%	13%	9%	3%
	Las Vegas Cycles -	17%	1%	10%	0%	4%		4%	29%	25%	9%
	Los Angeles Cycles	14%	2%	7%	14%	13%		3%	21%	17%	7%
	Louisville Race Equipment -	15%	2%	9%	0%	7%		4%	36%	21%	7%
	Miami Race Equipment -	8%	1%	3%	11%	7%		8%	32%	23%	8%
	Minneapolis Bike Shop	18%	2%	4%	10%	14%		6%	24%	17%	5%
	Nashville Cruisers -	10%	1%	2%	9%	9%		7%	33%	22%	8%
	New Orleans Velocipedes	7%	1%	3%	9%	8%		6%	31%	26%	9%
	New York Cycles	19%	1%	6%	10%	12%		4%	23%	18%	6%
	Oklahoma City Race Equipment -	8%	1%	3%	8%	9%		7%	33%	24%	7%
	Philadelphia Bike Shop	17%	1%	7%	11%	12%		4%	23%	16%	10%
	Phoenix Bi-peds	16%	2%	6%	12%	14%		5%	22%	17%	5%
	Pittsburgh Mountain Machines	29%	3%	14%	9%	16%		2%	12%	9%	5%
	Portland Bi-peds	18%	2%	6%	13%	13%		5%	23%	14%	6%
	Providence Bi-peds	18%	1%	7%	10%	13%		3%	20%	22%	5%
	San Antonio Bike Shop	15%	2%	6%	13%	13%		2%	23%	17%	8%
	San Francisco Cruisers	10%	1%	9%	1%	6%		5%	32%	22%	13%
	Seattle Race Equipment	6%	1%	2%	3%	12%		5%	24%	36%	11%
	Tampa 29ers	30%	3%	19%	13%	15%		2%	10%	6%	2%
	Wichita Speed	17%	2%	9%	2%	5%		6%	31%	22%	7%
Wichita Speed 17% 2% 9% 2% 5% - 178 Cross County Rate Fal Elis Mountain Sport (18)								Jocioss Elit	31% ¿Road Endurant	Road	athalon
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Bike Type (Category 2)

#### **Customer Segmentation**

This is a 2D Projection based on customer similarity that exposes 4 clusters, which are key segments in the customer base.



### Customer Preferences By Segment

The 4 customer segments were given descriptions based on the customer's top product purchases.

- 1. Segment 1 Preferences: Road Bikes, Below \$3200 (Economical Models)
- 2. **Segment 2 Preferences:** Mountain Bikes, Above \$3200 (Premium Models)
- 3. Segment 3 Preferences: Road Bikes, Above \$3200 (Premium Models)
- 4. Segment 4 Preferences: Both Road and Mountain, Below \$3200 (Economical Models)

