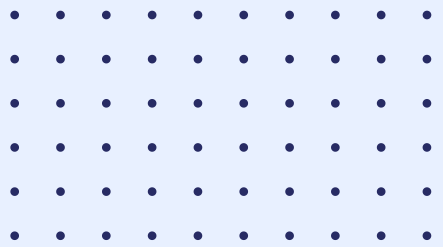
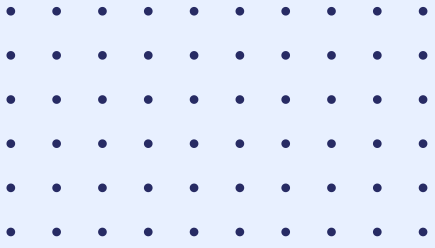




ADVENTURE WORKS CYCLE  
COMPANY

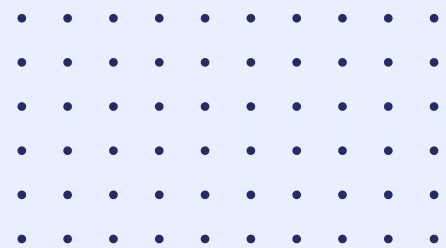


# CUSTOMER SEGMENTATION REPORT



# TABLE OF CONTENT

- Customer Overview by Demographics
- RFM Analysis
- Insight & Recommendations





# CUSTOMER OVERVIEW BY DEMOGRAPHICS

## CUSTOMER OVERVIEW BY DEMOGRAPHICS

Date

31/05/2011

10/06/2014



Product Category

- ☐ Accessories
- ☐ Bikes
- ☐ Clothing
- ☐ Components

Region

- ☐ Australia
- ☐ Canada
- ☐ Central
- ☐ France
- ☐ Germany
- ☐ Northeast
- ☐ Northwest
- ☐ Southeast
- ☐ Southwest
- ☐ United Kingdom

Total Customer

18,75K

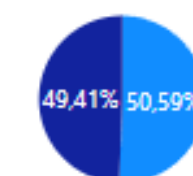
AVG Revenue/Customer

\$5,88K

AVG Purchase  
Frequency

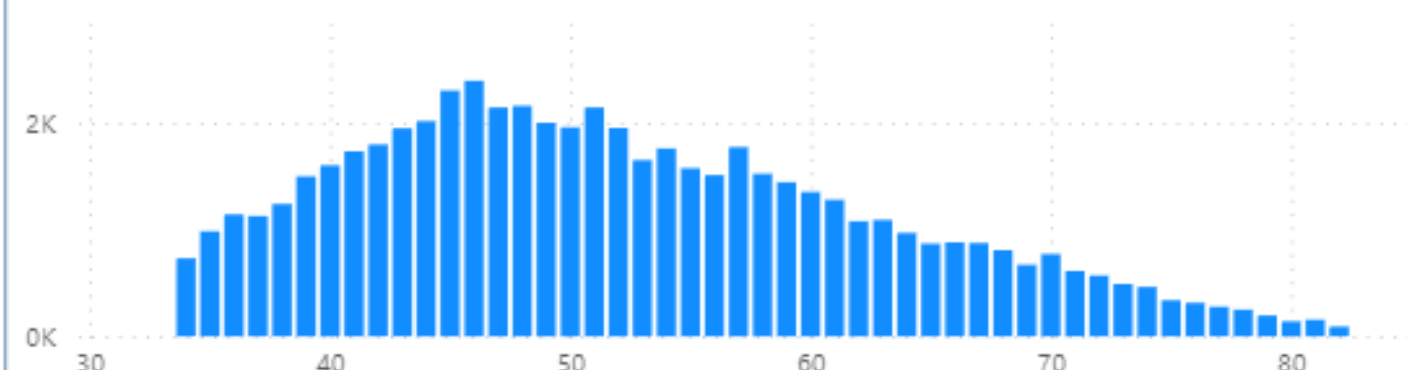
1,65

Gender structure

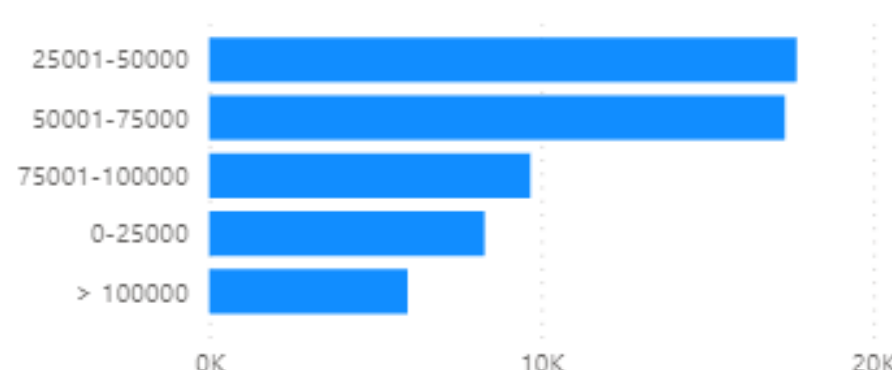


Gender  
● M  
● F

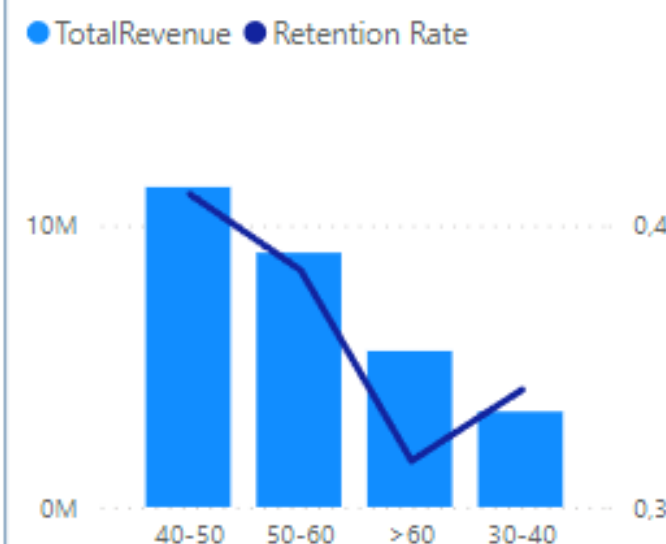
Count of Customer by Age



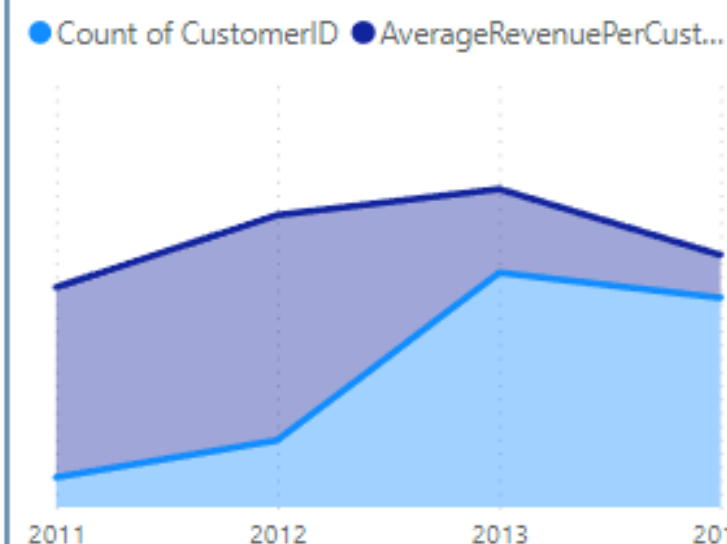
Count of Customer by Yearly Income



Total Revenue and Retention Rate by Age



Count of Customer and Average Revenue Per Customer by time

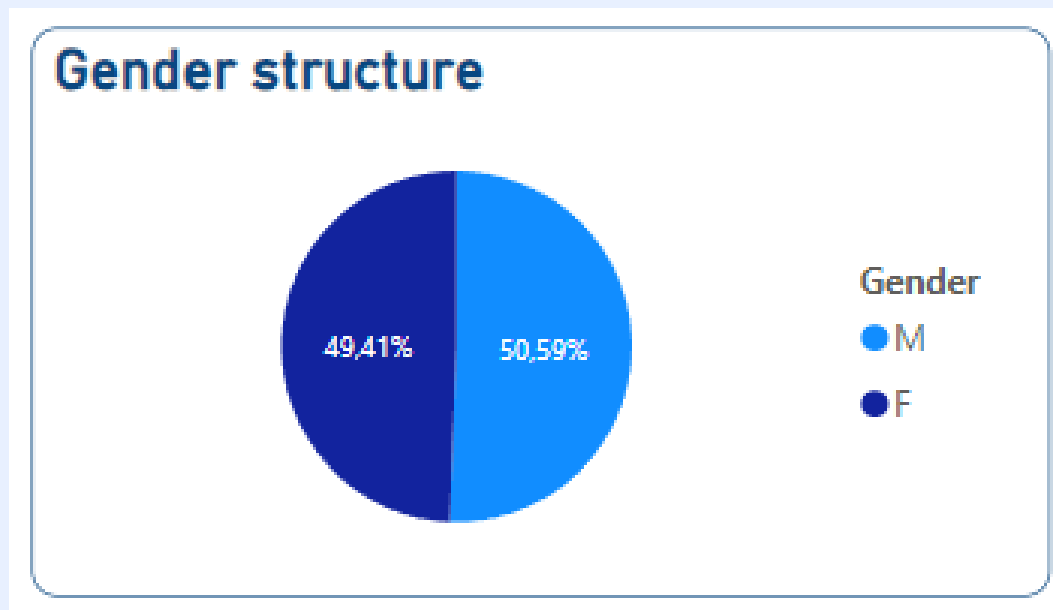


Count of Customer by Country



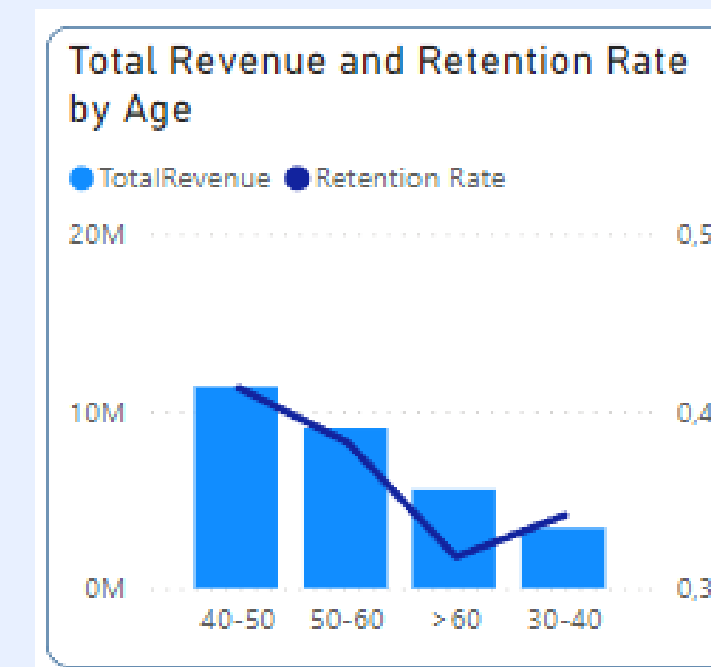
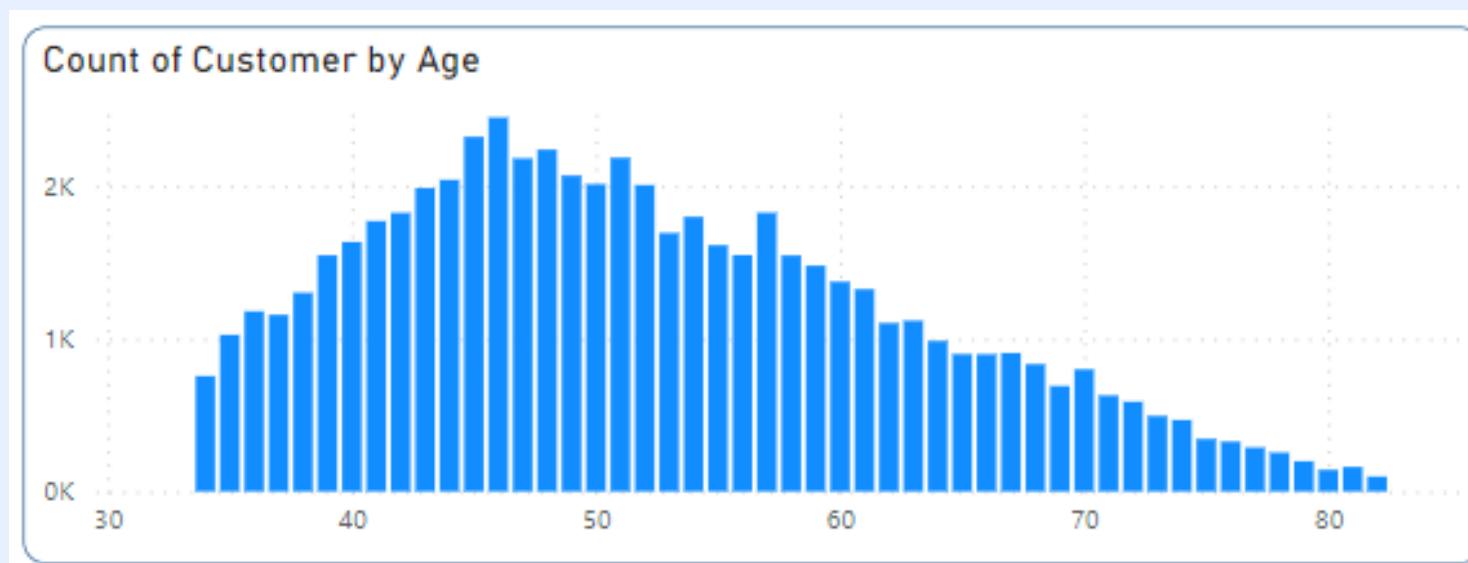
# CUSTOMER OVERVIEW BY DEMOGRAPHICS

## Gender



The ratio of men and women is quite similar, the company's products are not specific to any gender.

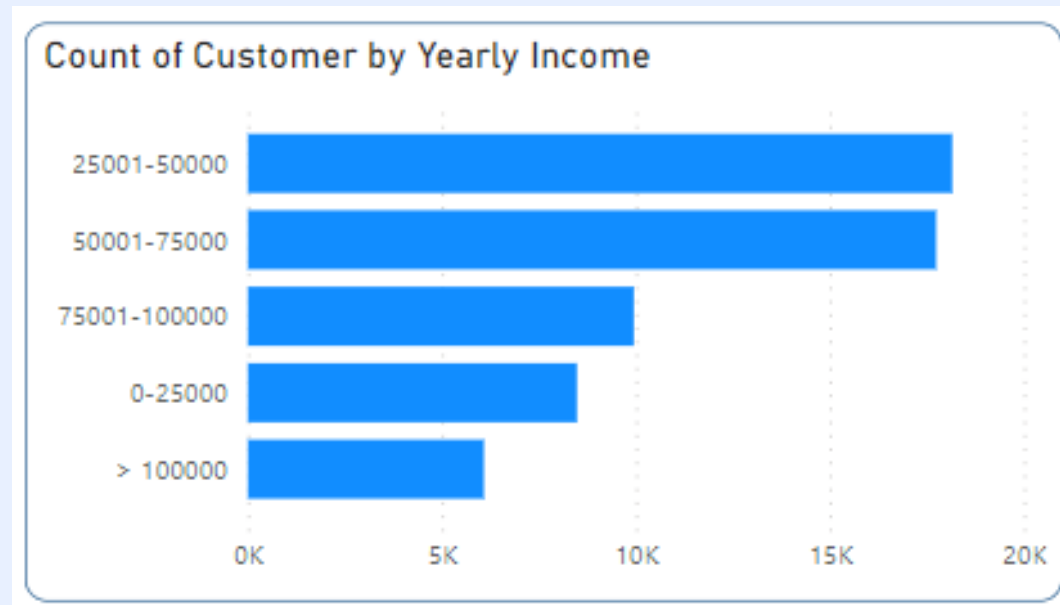
## Age



Customers are mainly aged 40-60, this is also the age group that brings in the highest revenue and has the highest customer retention rate.

# CUSTOMER OVERVIEW BY DEMOGRAPHICS

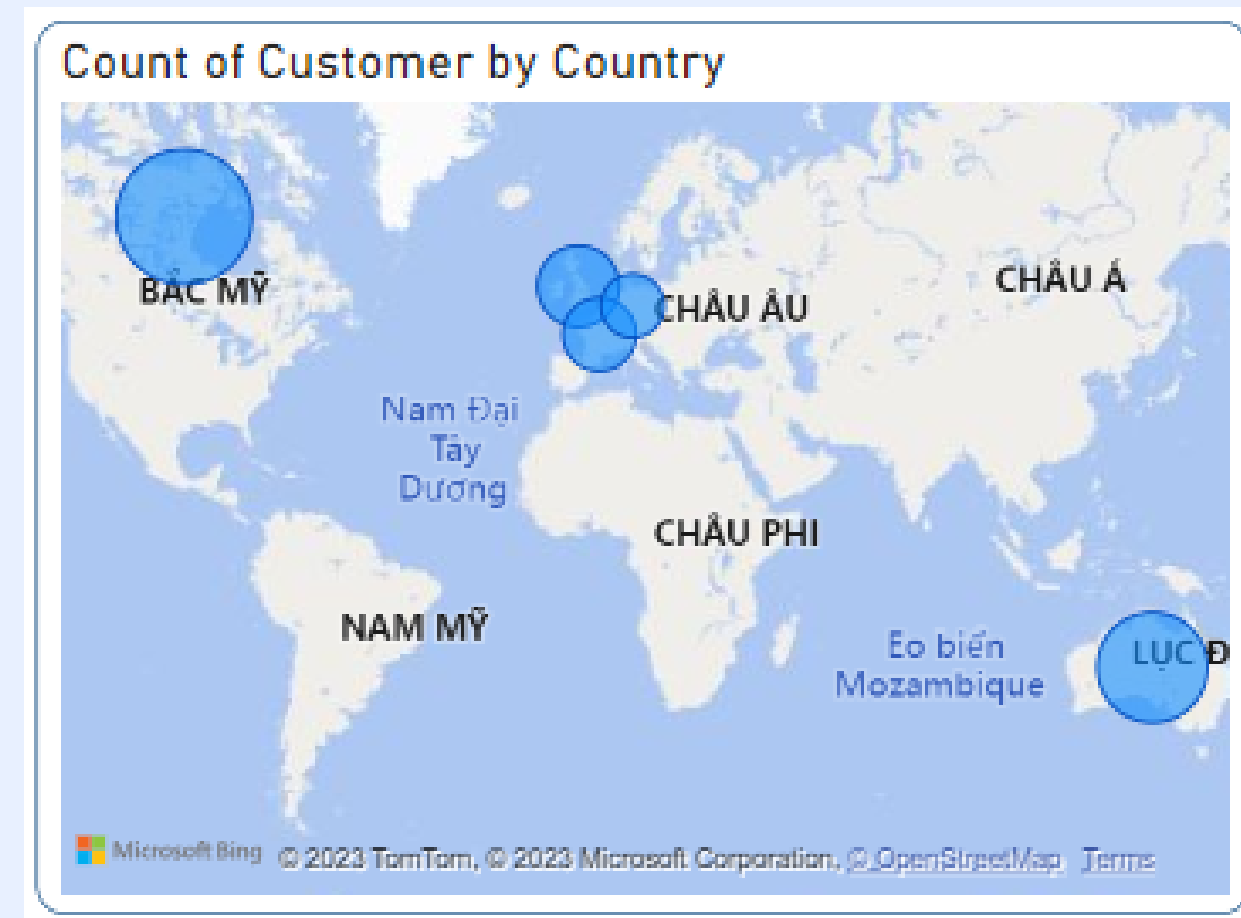
## Income



The annual income of customers mainly ranges from 25,000 - 50,000 USD to 50,000 - 70,000 USD, belonging to the segment of customers with a good income level.

## Geographical location

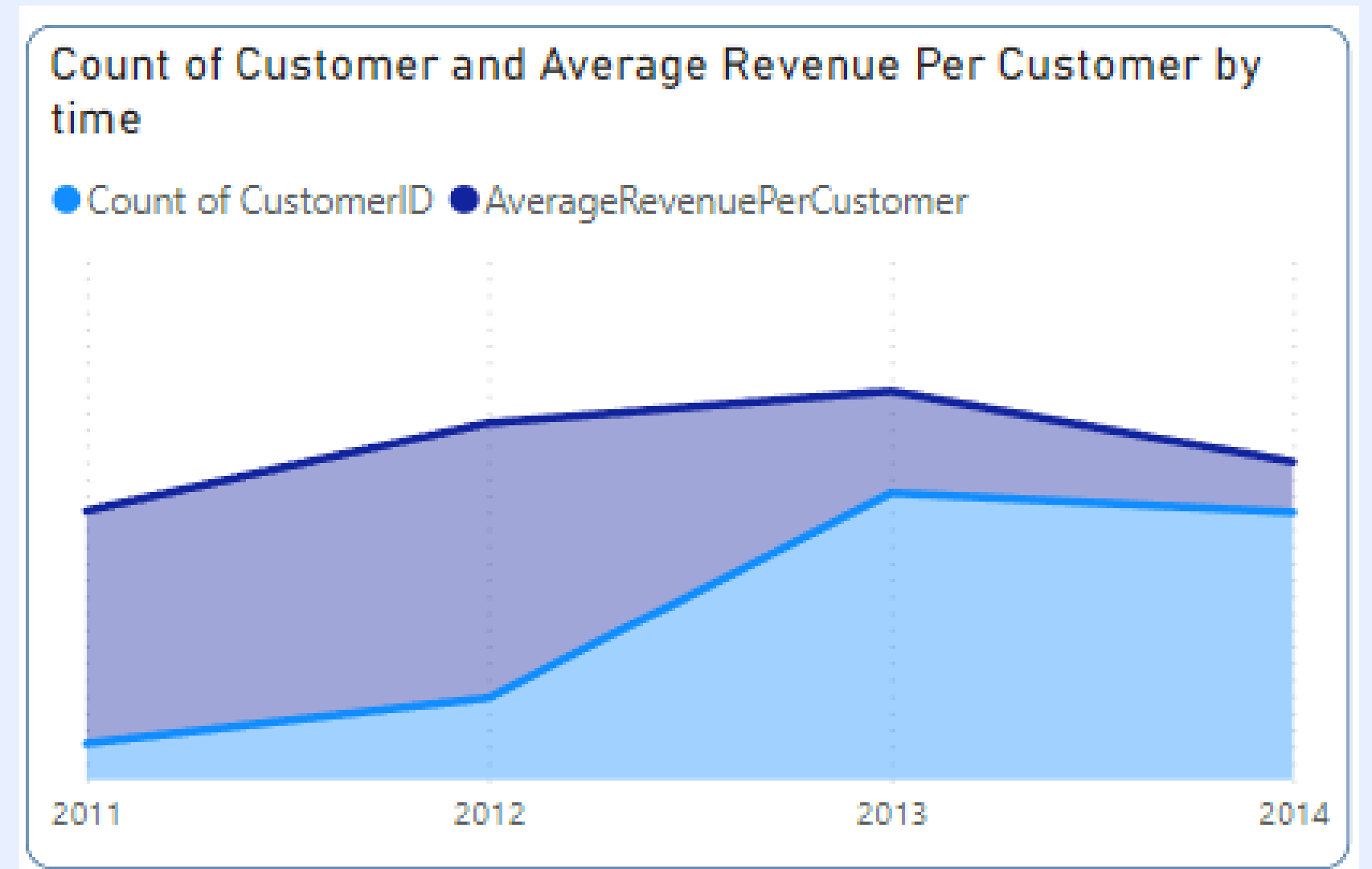
The number of customers is concentrated in Canada and Australia, distributed quite evenly in European countries such as England, France, and Germany.



# CUSTOMER OVERVIEW BY DEMOGRAPHICS

## Number of customers and Average Revenue by time

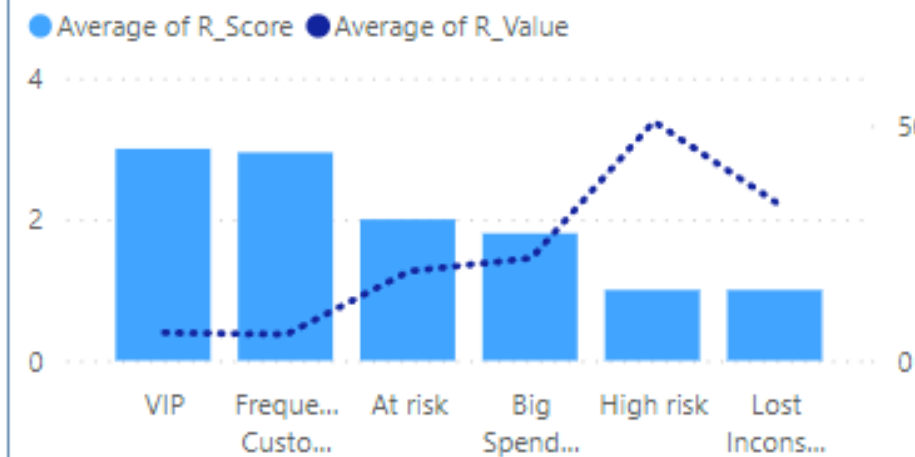
The number of customers skyrocketed in 2013 and 2014, but the amount of money each customer spent decreased significantly, leading to an increase in revenue in 2013 but no breakthrough.



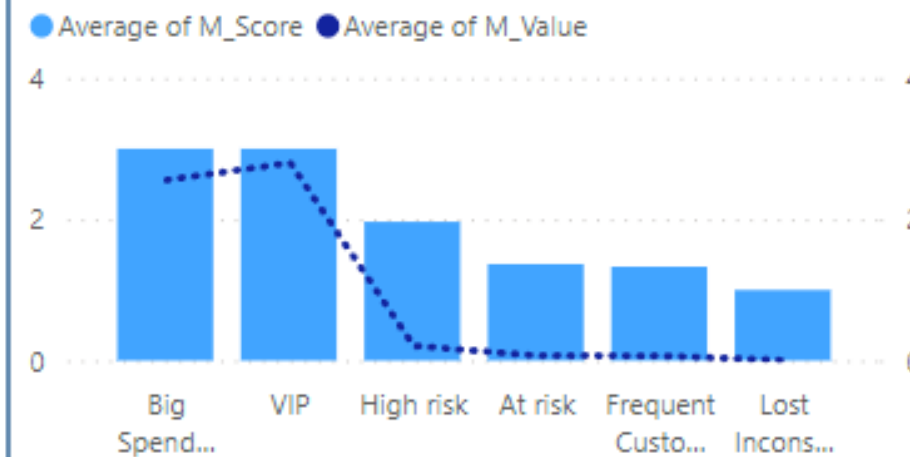
# CUSTOMER SEGMENTATION BY RFM ANALYSIS

## RFM ANALYSIS

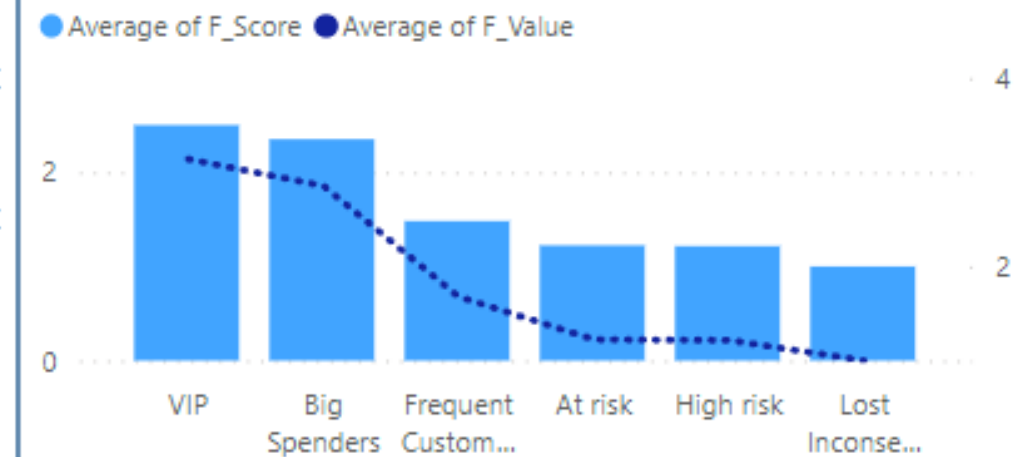
R\_Score and R\_Value by CustomerSegment



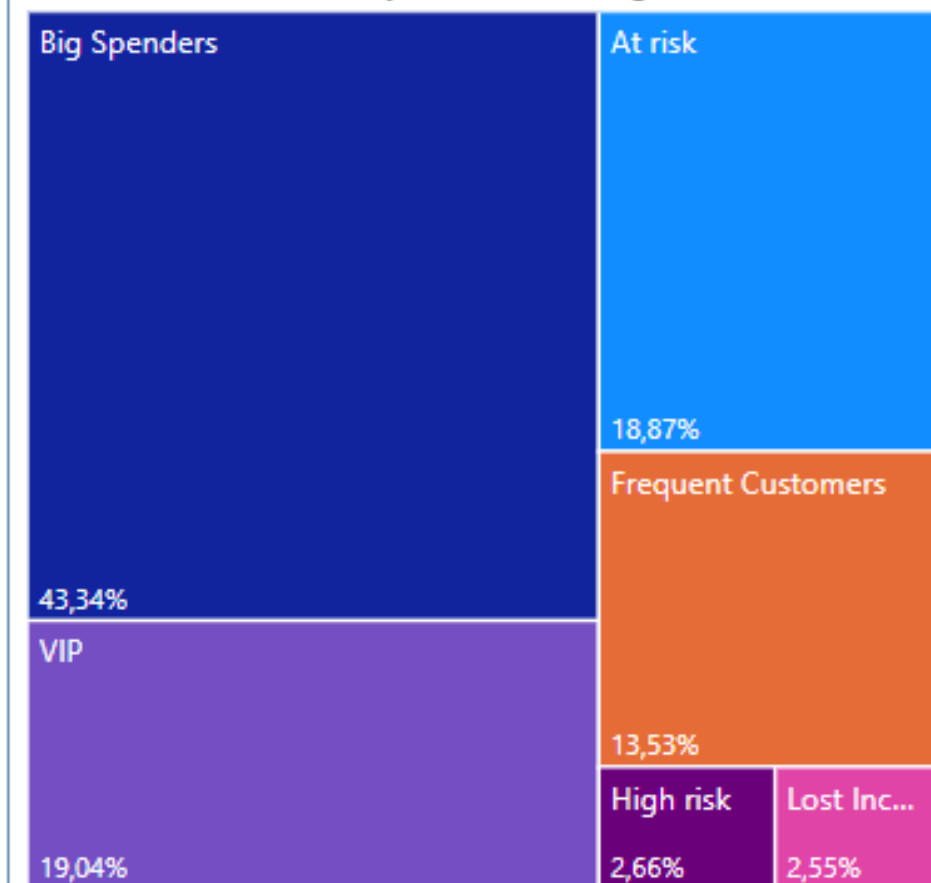
M\_Score and M\_Value by CustomerSegment



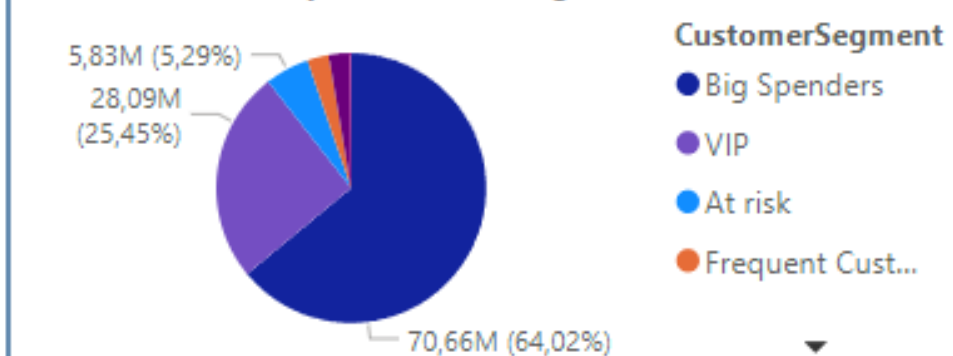
F\_Score and F\_Value by CustomerSegment



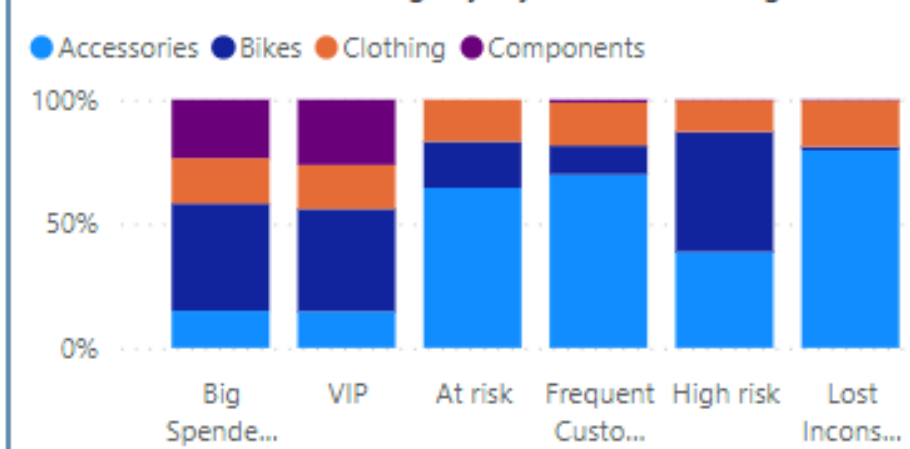
Count of Customer by CustomerSegment



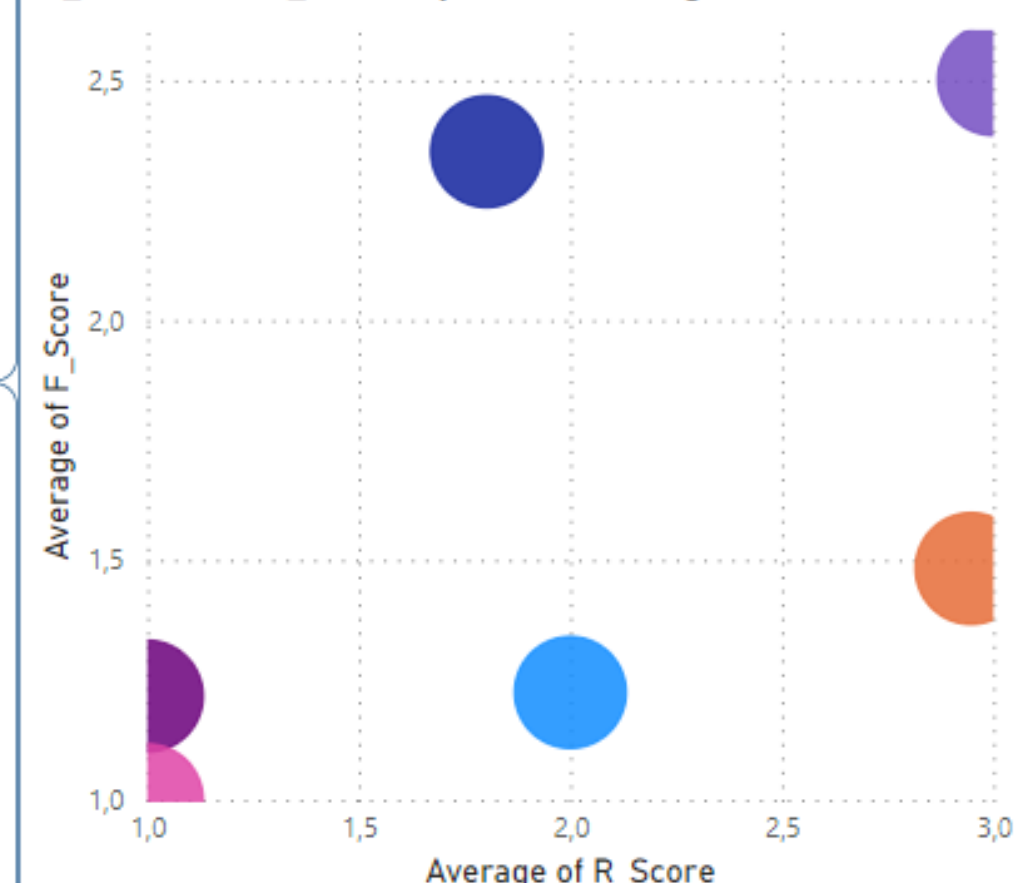
Total Revenue by CustomerSegment



Count of Product Category by CustomerSegment



R\_Score and F\_Score by CustomerSegment



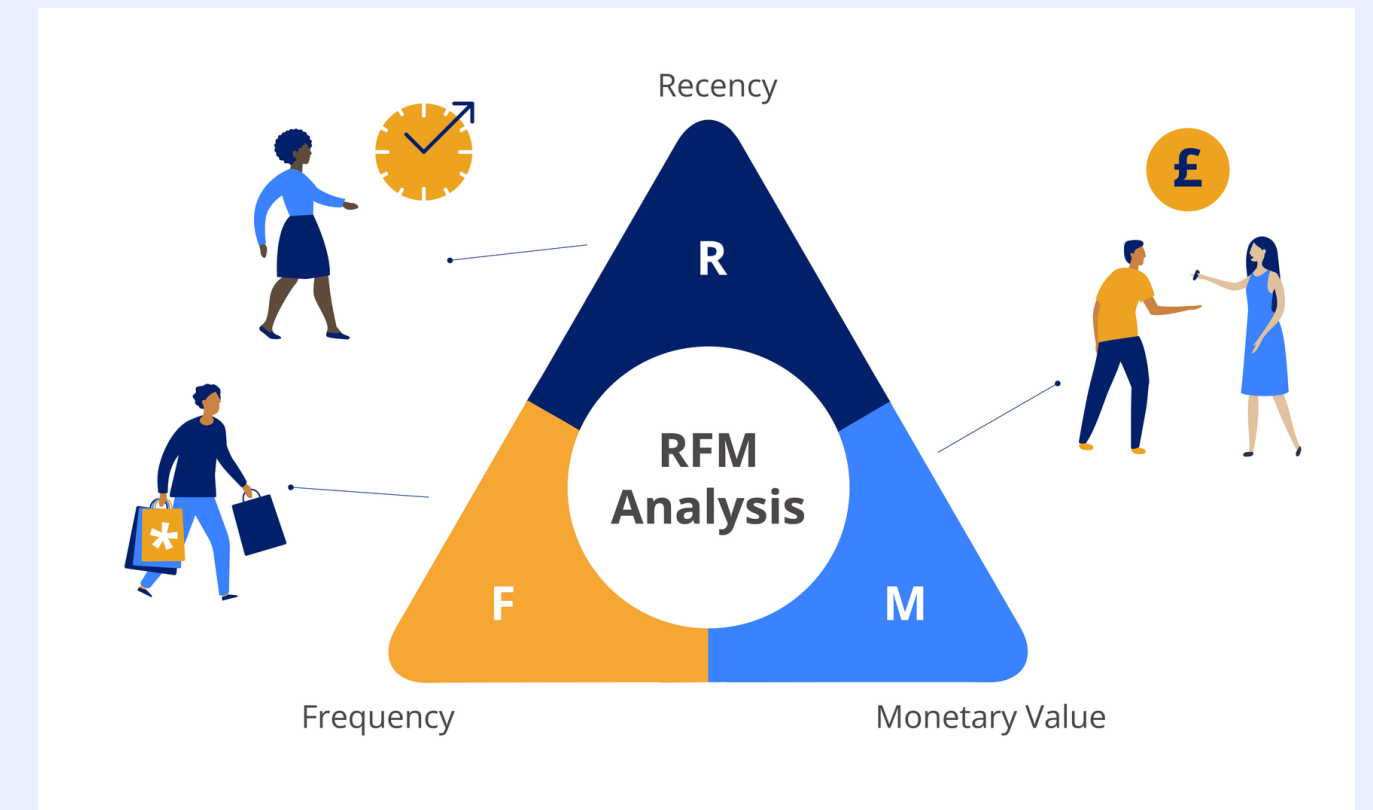
# CUSTOMER SEGMENTATION BY RFM ANALYSIS

## RFM Analysis

R - Recency: Last transaction time

F - Frequency: Customer purchase frequency

M - Monetary: Transaction amount





# CUSTOMER SEGMENTATION BY RFM ANALYSIS

## Score

### Recency:

- Time from customer's last purchase to present is 0 - 90 days : 3
- Time from customer's last purchase to present is 91 – 300 days: 2
- Time from customer's last purchase to present is >300 days: 1

### Frequency và Monetary:

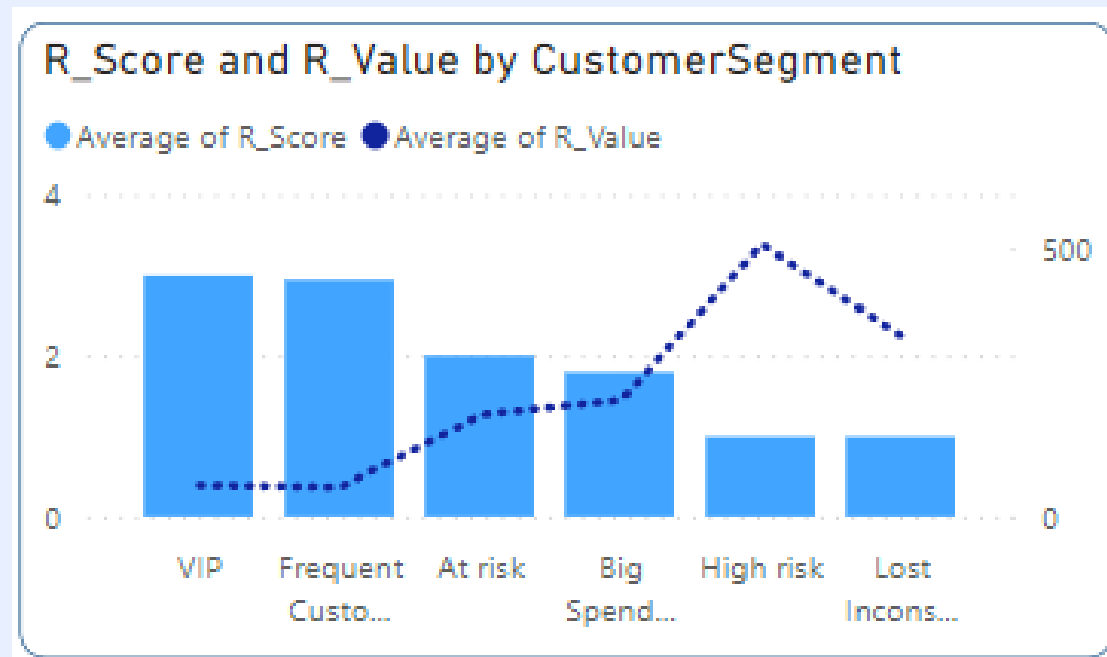
- Top 20%: 3
- From top 20% to 50%: 2
- Remaining: 1

# CUSTOMER SEGMENTATION BY RFM ANALYSIS

Segments	RFM	Describe
VIP	333 or 323	Customers who buy most recently, often or quite often, and have high spending
Big Spenders	%%3	High spending customers
Frequent Customers	%3%	Regular customers
Recent Customers	3%%	Customers who recently made a purchase
At risk	2%%	Customers who haven't made a purchase in a long time
Lost Inconsequential Customers	111	Customers have not bought for a long time and are unlikely to return
High risk	1%% (khác 111)	Customers have not bought for a long time

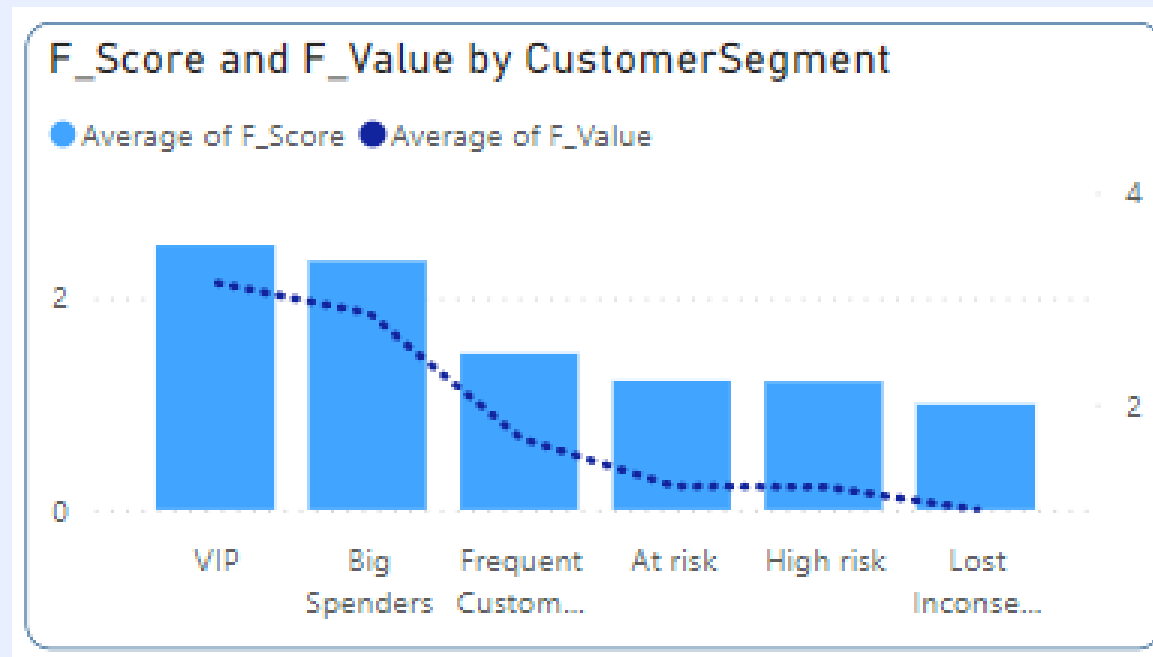
# CUSTOMER SEGMENTATION BY RFM ANALYSIS

## Score and Value Analysis



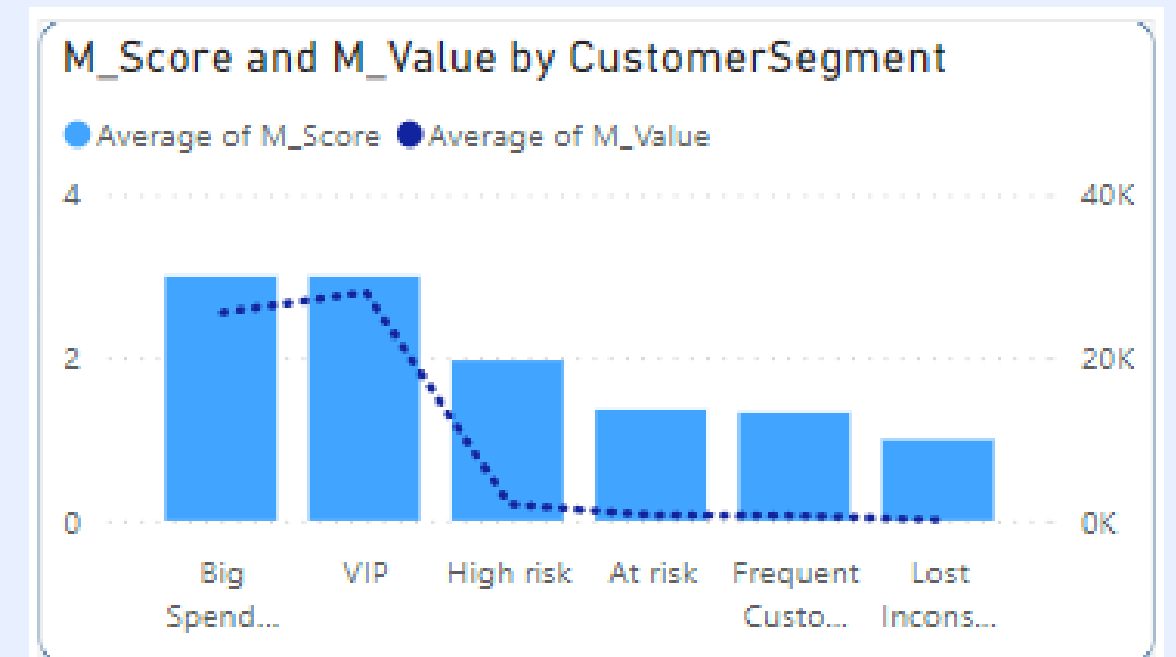
### Recency:

The VIP and Frequent Customers segments are the customer groups with the most recent purchases



### Frequency:

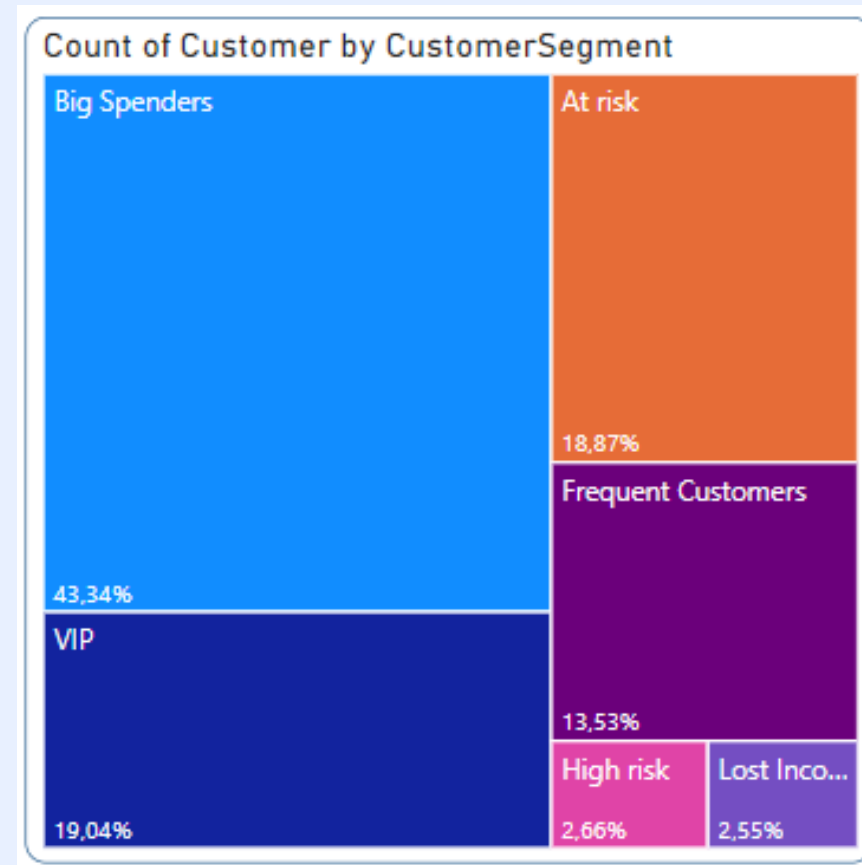
In addition to the VIP segment, the High Spender segment is also a segment with high spending levels but quite frequently



### Monetary:

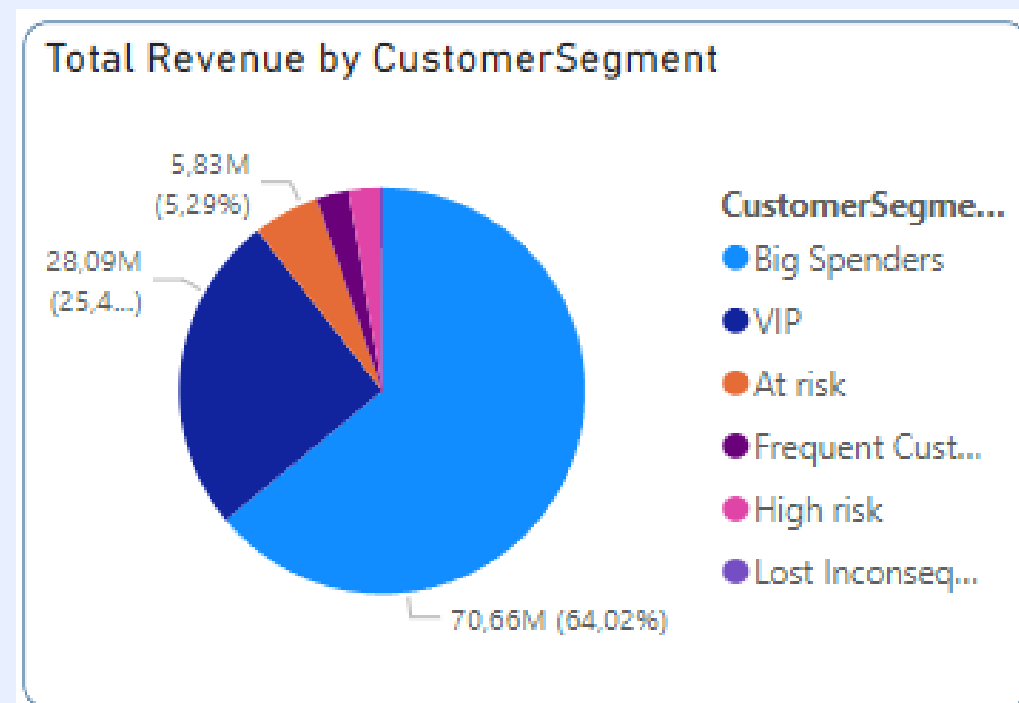
There is a large difference in spending levels between the High Spender, VIP segments and the other two segments

# CUSTOMER SEGMENTATION BY RFM ANALYSIS



Segments with a large number of customers:

- Big Spenders (43,34%)
- VIP (19,04%)
- At risk (18,87%)

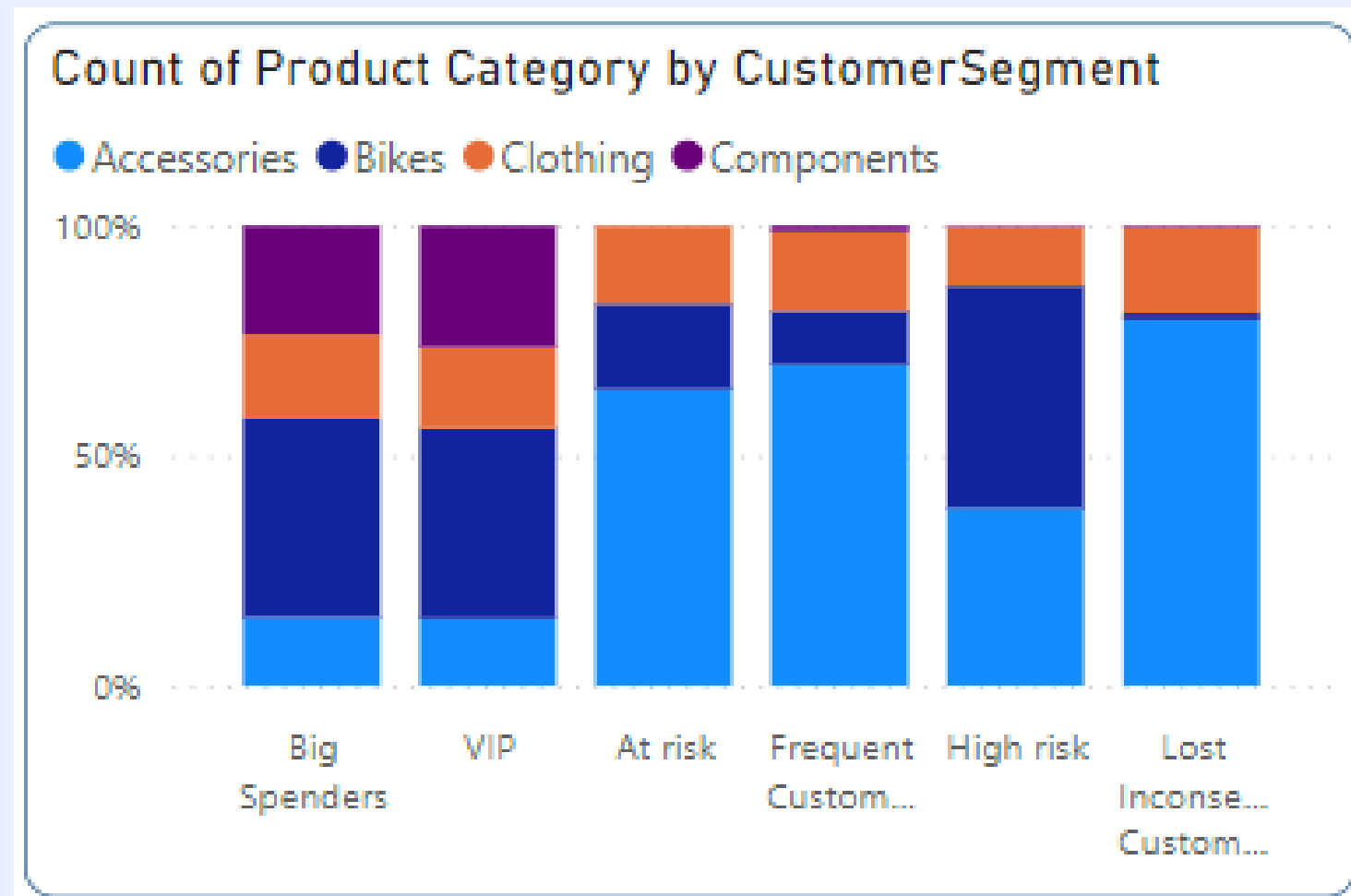


Segments bring in the highest revenue:

- Big Spenders (64,02%)
- VIP (25,45%)

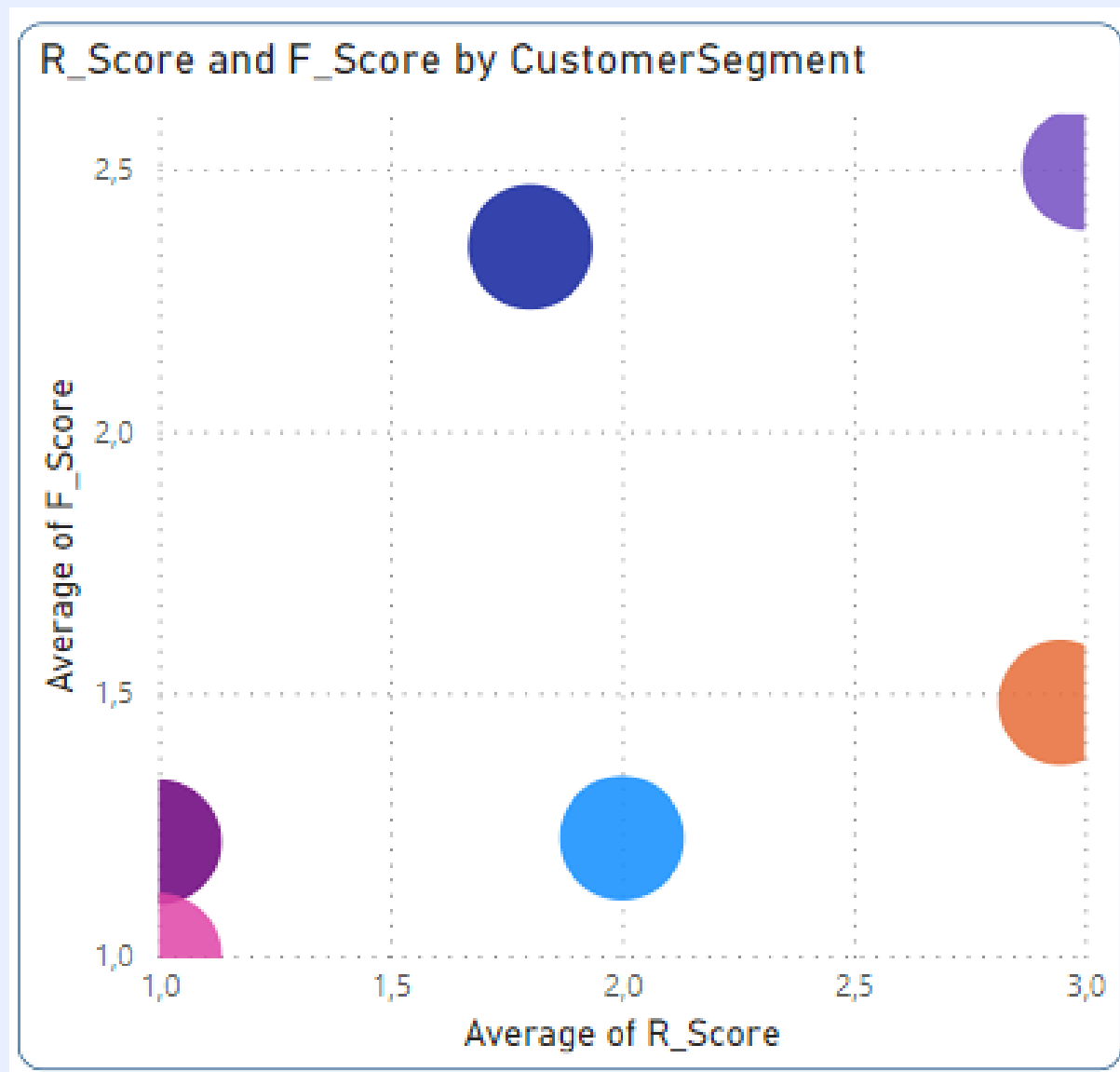


# CUSTOMER SEGMENTATION BY RFM ANALYSIS



The product category that the VIP and High Spender segments buy the most is Bicycles, followed by Components, these are the 2 categories with the highest average selling price. The product category in the Potential Customers, Regular Customers, and Unimportant Customers segments that buy the most is Accessories, this is the category with the lowest average selling price.

# CUSTOMER SEGMENTATION BY RFM ANALYSIS

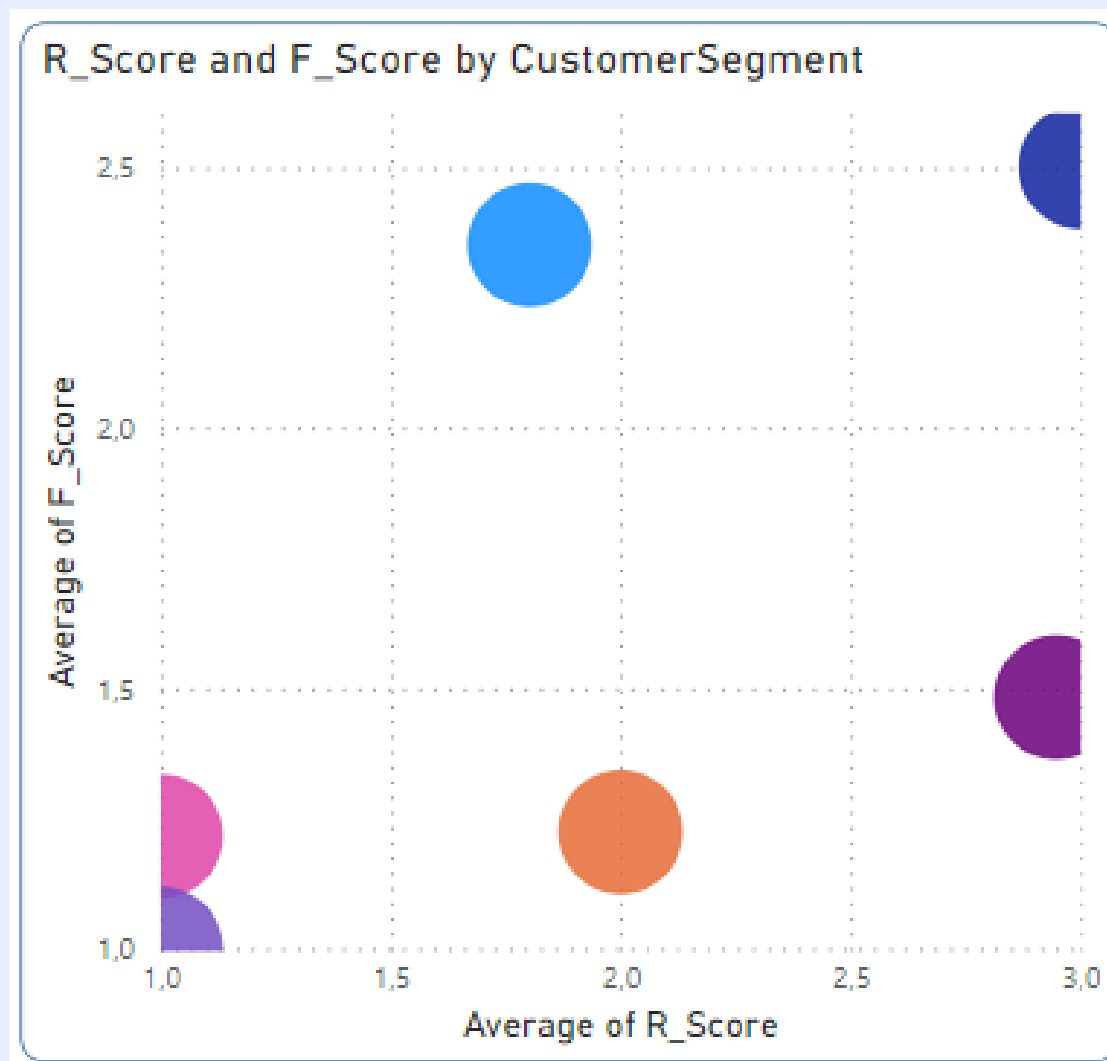


Summing up R\_Score and F\_Score by each customer segment, we see:

- The VIP and High Spender segments have a high number of recent purchases and purchase frequency.
- The Risk and Frequent Customers segments have high recent purchase scores (higher than the High Spenders segment) but low purchase frequency scores.
- The two segments, Unimportant Customer Loss and High Risk, both have low purchase frequency and have not purchased for a long time.

# INSIGHTS AND RECOMMENDATIONS

## 1. Classify customers according to loyalty level



Based on the chart and analysis above, the loyalty level of customer segments can be determined as follows:

- Loyal customer group: VIP, High spenders
- New customer groups: Regular customers, At-risk
- Old customer group is about to leave: Lost Inconsequential Customers and High risk

## Recommendations for each customer group

Groups	Segments	Recommendations
Loyal customer	VIP	<ul style="list-style-type: none"><li>- There should be a program for loyal customers</li><li>- Provide high quality services, ensuring VIP customers receive special care and the best service</li><li>- If possible, connect with customers by establishing a personal relationship, creating a close, friendly environment</li></ul>
	Big Spenders	<ul style="list-style-type: none"><li>- Create a memorable experience for customers when making purchases</li><li>- Contact customers via email or text message to provide updates on new products, price lists and special offers to increase customer purchasing frequency</li></ul>
New customer	Frequent Customers	<ul style="list-style-type: none"><li>- Thank you for choosing to buy the product</li><li>- Provide after-sales support services</li><li>- Ask for feedback after making a purchase</li></ul>
	At risk	<ul style="list-style-type: none"><li>- Send a message to welcome customers back because it has been a long time since they last purchased, expressing gratitude for their support.</li></ul>
Old customer group is about to leave	Lost Inconsequential Customers	<ul style="list-style-type: none"><li>- Find the reason</li><li>- Create interaction and communication via text or email, listen to feedback from customers</li></ul>
	High risk	



# INSIGHTS AND RECOMMENDATIONS

## 2. Products suitable for each customer segment

The VIP and Big Spenders segments focus on buying the most products on Bikes and Components. This shows that they tend to invest in high quality and expensive products.



Strengthen the development and marketing of the Bicycle and Component product portfolio for the VIP and High Spender segments. Provide high quality, diverse products and increase revenue.

The At Risk, Frequent Customers, Lost Inconsequential Customers segment buys a small number of products and tends to buy cheaper accessory products.



The company can offer good quality fashion products and accessories at reasonable prices or promote product bundling to encourage customers to buy more.

THANK YOU