

# M Room hackathon

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**Creating Value With Analytics**

**11.4.2024**

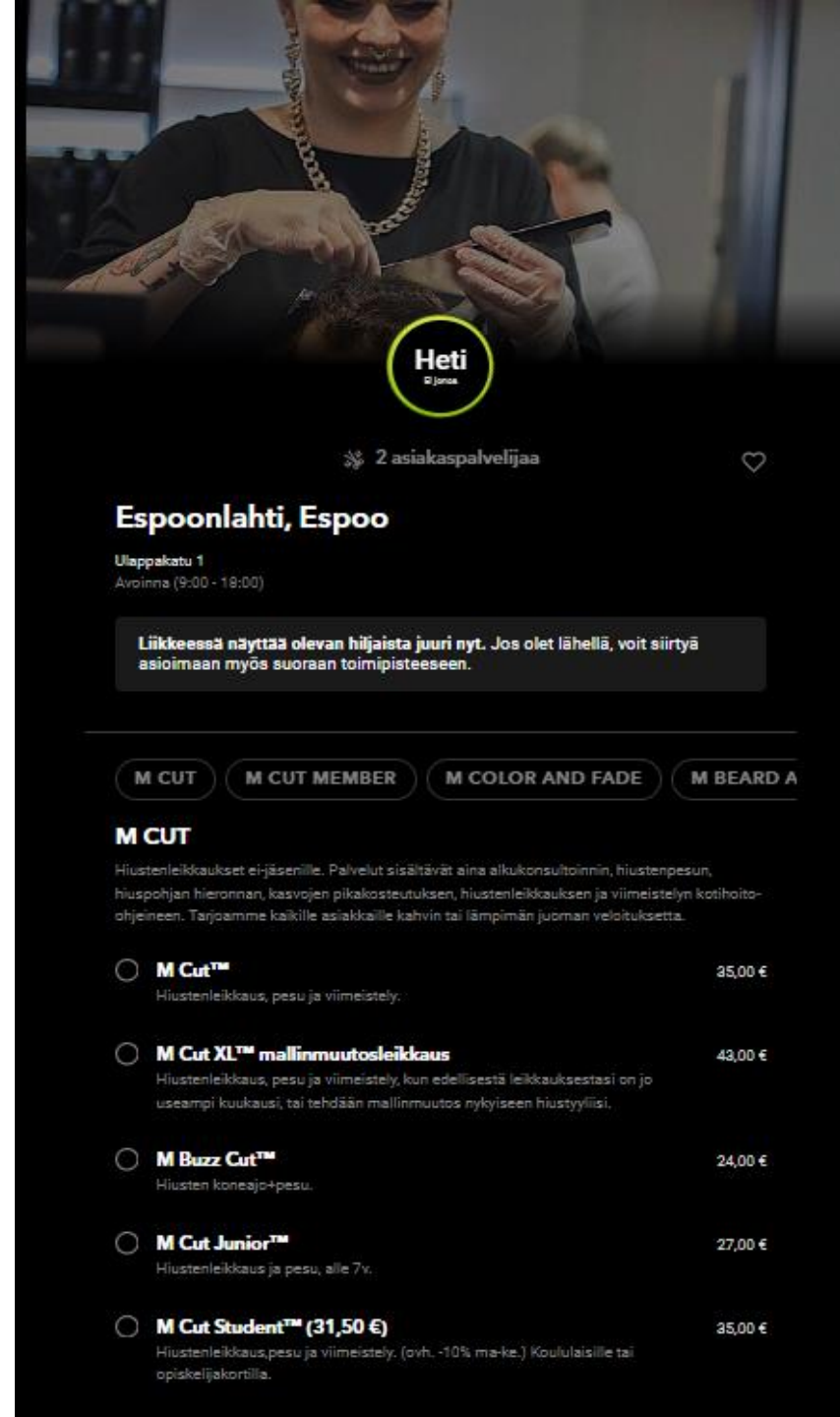
**Group M**



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# Outline

- Context
- Agenda setting
- Problem framing
- Intervention
- Results
- Suggestions



# Context



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# Strategic refocus

**The customer experience** is based on the offering of drop-in services facilitated by a virtual queuing system via the "*My M Room*" app, which allows customers to queue without needing a physical presence

## Strategic pivot & market

1. **Pre-pandemic focus:** International expansion through franchising and direct operations for scalability and brand control
2. **Pandemic impact:** Shifted focus to **strengthen national market presence** due to challenges
3. **Current Strategy:**
  - Enhance scalable core business elements
  - Target profitable growth within Finland
  - Acquire a beauty sector brand to solidify market position

# Strategic refocus

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  - Acquire a beauty sector brand to solidify market position

**Ultimate goal:**  
Secure market dominance & ensure sustainable growth

# Agenda setting



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# Our strategic focus areas

- 1. Membership categorization strategy:** Refine approaches to streamline and effectively categorize membership types, enhancing clarity and value proposition for customers.
- 2. Discount & sales correlation analysis:** Deploy predictive analytics to understand the relationship between discounts and sales performance, aiming for optimized promotional strategies.
- 3. Enhanced customer predictions:** Leverage advanced modeling techniques to forecast customer behaviors, including churn risk and membership conversion potential, to inform targeted engagement strategies.

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# Problem framing



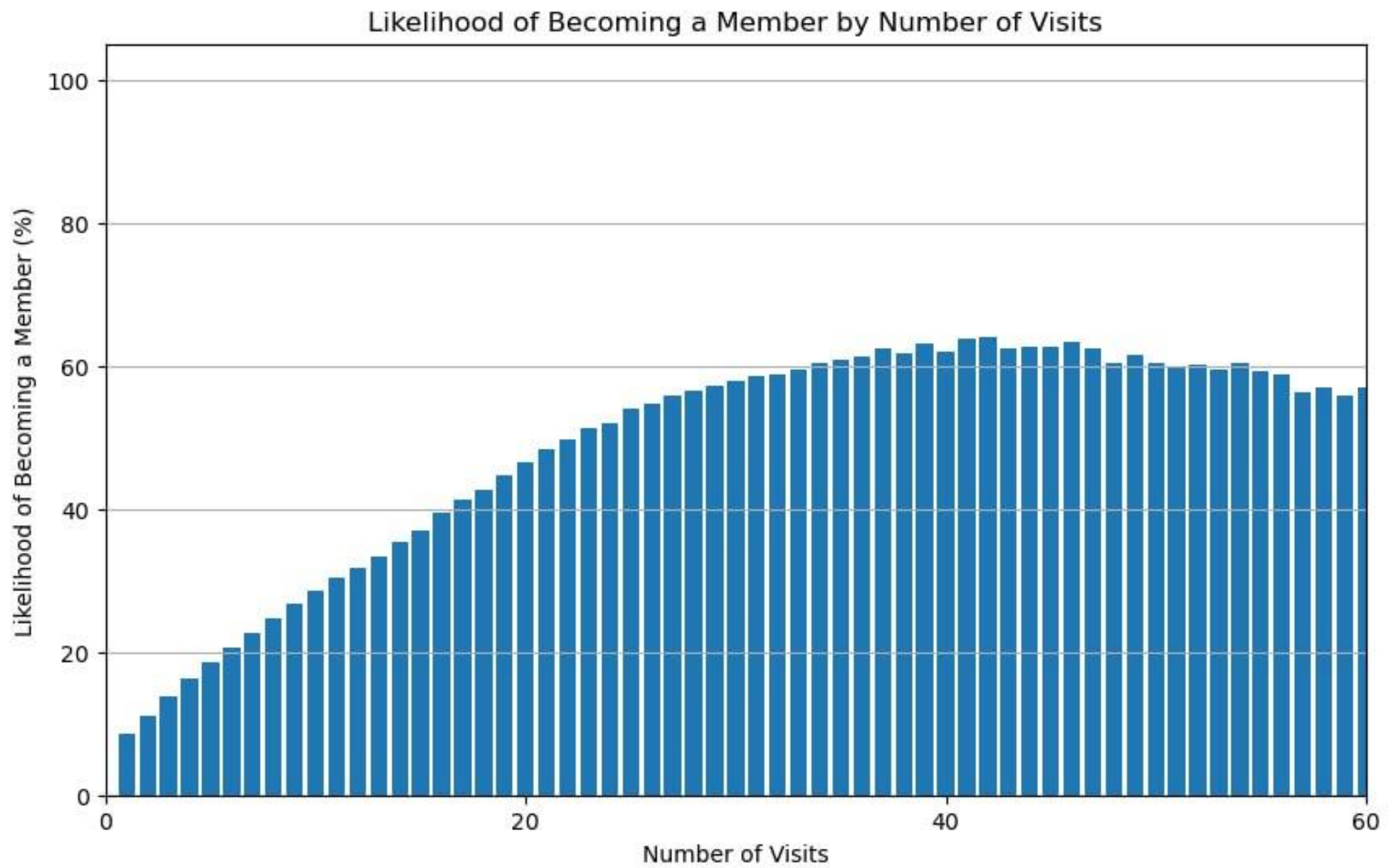
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# Problem framing

## Our objective:

To develop a predictive model aimed at identifying customers at risk of churn and those with a high likelihood of becoming members. This enables targeted strategies to enhance retention and membership conversion within a specified future time frame.

- *Identify at risk-customers early*
- *Implement targeted retention strategies*
- *Reducing churn*
- *Increasing membership rate*



# Value proposition

*"Enhancing customer loyalty and operational efficiency at M Room with advanced predictive analytics"*

## 1) Marketing ROI

Understanding the likelihood of non-members becoming members allows for precise targeting with membership offers and benefits, tailored to those on the verge of conversion. This targeted approach not only increases the efficiency of marketing spend but also grows the membership base.

## 2) Unlocking proactive customer management

By anticipating churn, M Room can implement targeted retention strategies before a customer decides to leave, significantly reducing churn rates and stabilizing revenue.

## 3) Optimizing customer lifetime value

Identifying patterns that lead to churn or conversion helps M Room to optimize interactions and offerings to maximize the Customer Lifetime Value.

## 4) Data-driven operational decisions

Emphasizing predictive analytics reinforces a culture of data-driven decision-making within M Room. It highlights the importance of leveraging data not just for operational efficiencies but as a strategic asset that informs every aspect of customer engagement and business development.

# Intervention



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# Introduction to our predictive model

**Objective:** Building a logistic regression model to predict

- The likelihood of customer churn
- The likelihood of a customer becoming a member

**Enhancing the dataset:** Added crucial columns for deeper insights

- **Target column** ("Becomes a Member"): Identifies whether a customer eventually becomes a member, serving as our label for prediction.
- **Average wait time:** The average time a customer waits before service, indicative of service efficiency and customer patience.
- **Total number of visits:** Reflects customer engagement and loyalty.
- The customers with membership were excluded from the data

# Results



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# Customer Churn 1st Model Outcome

Optimization Success: After **7 iterations**, indicating that the model likely converged to a solution.

Current Function Value: 0.662725

## Significant Factors:

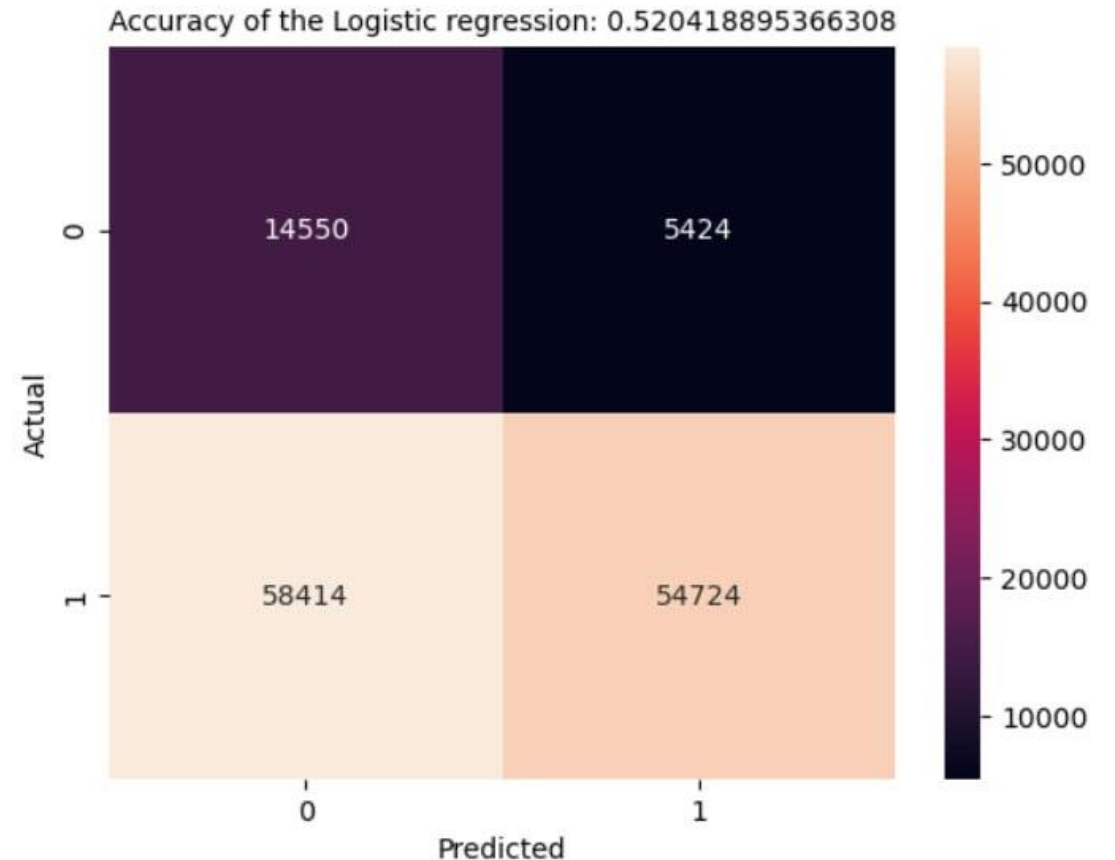
- **Discount (Y/N):** Offering discounts significantly reduces the likelihood of churn (**72.86%** decrease in odds if a discount is offered).
- **Product Category - Other:** Gift Cards increase the odds of not churning by **1978.32%**.
- **Product Category - Product:** Products increase the odds of not churning by **33.76%**.
- **Membership Type - Platinum:** Platinum membership increases the odds of not churning by **129.16%**.
- **Membership Type - Silver:** Silver membership increases the odds of not churning by **15.40%**.
- **Membership Type-Nonmember:** Being a non-member Increases the odds of churning by **45.94%**.



# Results of the first model - model performance

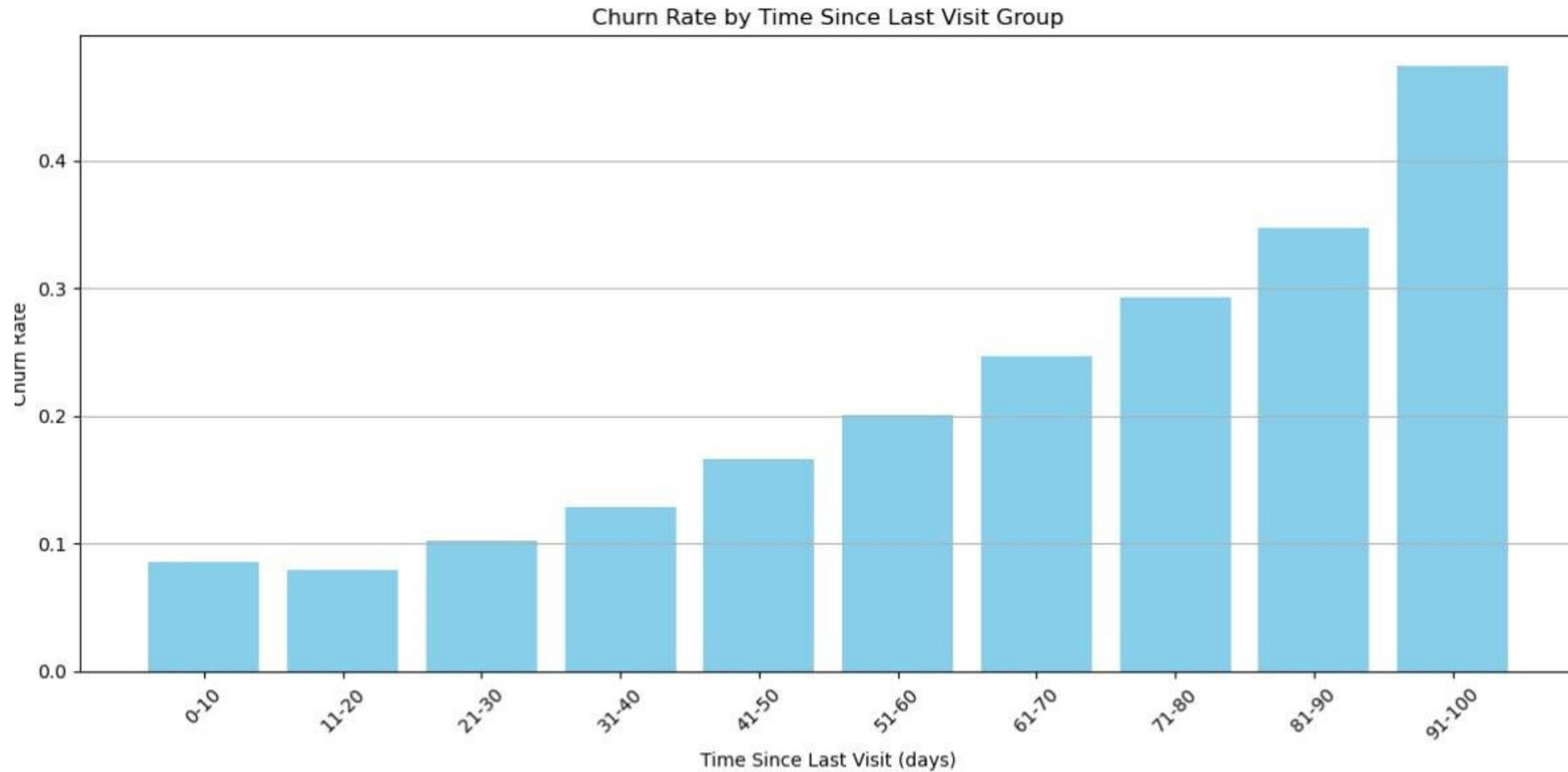
## Accuracy overview:

- The logistic regression model has an accuracy of approximately **52 %**
- While the model is effective at identifying customers who churn, it is less effective at correctly identifying those who do not churn. This imbalance suggests a need for further model refinement to improve its predictive accuracy.



# Customer Churn 2nd Model Outcome

Time since last visit increases the probability of churn.

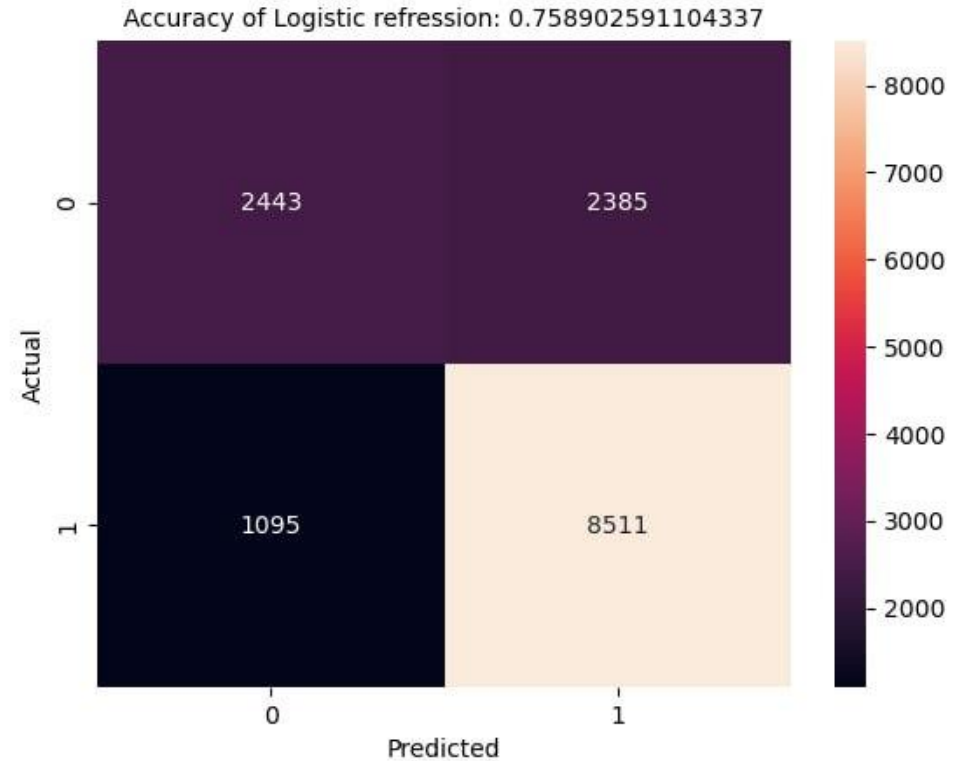


# Results of the second model - model performance

## Accuracy overview:

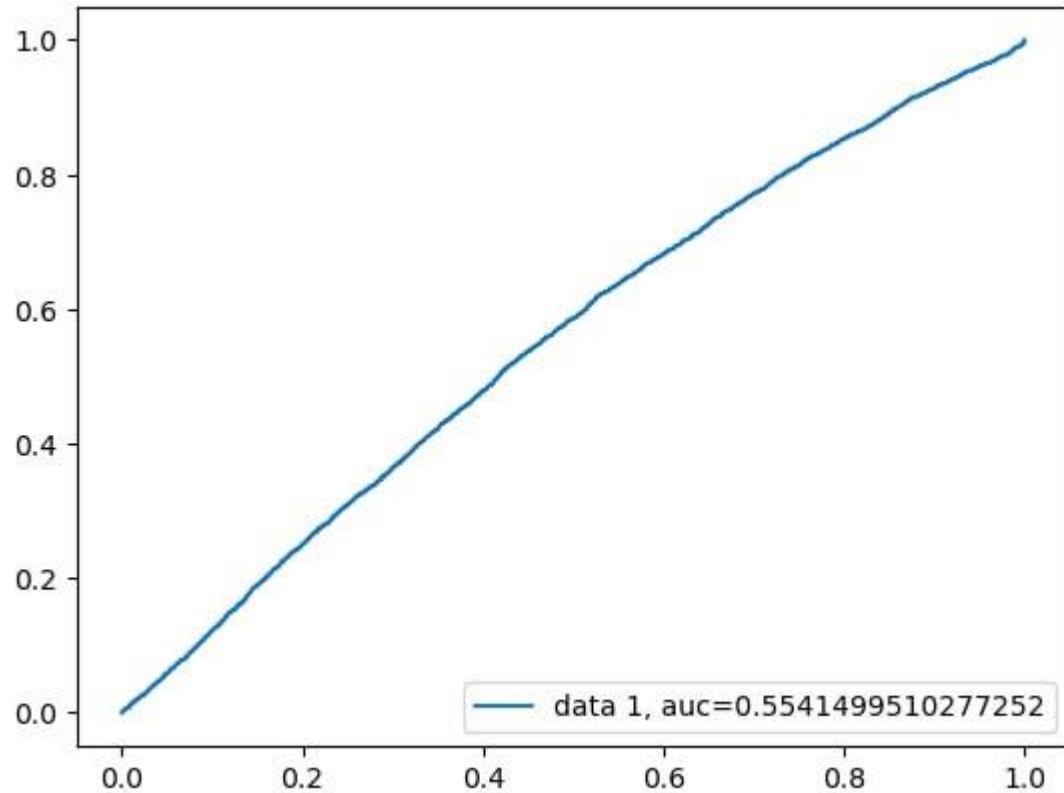
- The logistic regression model has an accuracy of approximately **76 %**

```
[48]: Text(0.5, 1.0, 'Accuracy of Logistic refression: 0.758902591104337')
```



# Customer Becoming a Member Result

Predicting likelihood of becoming a member based on money spent, and number of visits



	precision	recall	f1-score	support
0	0.89	1.00	0.94	33869
1	0.00	0.00	0.00	4050
accuracy			0.89	37919
macro avg	0.45	0.50	0.47	37919
weighted avg	0.80	0.89	0.84	37919

With this data, we might want to look at the frequency of the visits within 3 months.

# Suggestions



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# Next steps

- Identify different use cases
- Familiarize with the market (A/B testing)
- Despite the model exhibiting limited reliability, our analysis has indicated that **discounts** and **gift cards** play a significant role in influencing customer retention. We recommend a **more in-depth investigation into this correlation** and advocate for the collection of additional targeted data to enhance our understanding of these factors. This refined approach will assist in formulating more effective customer loyalty strategies.
- Implement targeted **retention campaigns** for customers as they approach critical churn thresholds, such as offering incentives to return before hitting the **60-day mark**.
- Gather more data
  - The data did not include any specific information about the service experience itself
  - More nuanced data on customer satisfaction & preferences

# Customers at Risk Of leaving



**Feedback Gathering** -> initiate a conversation with the at-risk customers to understand their concerns and reasons for potential dissatisfaction.



**Service Recovery** -> If the customer had a negative experience during their last visit, offer them a complimentary service or discount as a gesture of goodwill. Show them that you're committed to rectifying any issues and ensuring their satisfaction.



**Special Offers** -> Extend exclusive offers or promotions to these at-risk customers to incentivize them to give your barber shop another chance. This could include discounted services, package deals, or loyalty rewards specifically tailored to their needs.



**Reconnect Campaigns** -> Implement targeted marketing campaigns aimed at re-engaging these at-risk customers. Use personalized messaging and offers to entice them to return to M Room and give it another chance. M Room already holds campaigns specially in spring, so they use those campaigns to also compensate the customers at risk of leaving.

# Customers that are about to become a member



**Limited-Time Offers:** Create a sense of urgency by offering limited-time promotions or discounts.



**Trial Memberships:** Allow them to experience the benefits of membership .



**Highlight Return on Investment:** Demonstrate the potential savings and value that membership offers over time.