

# **RFM CUSTOMERS SEGMENTATION REPORT**

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# CONTEXT

X Services Company is currently setting goals to categorize its customer base into groups, in order to better understand the characteristics and shopping behavior of each segmented customer. This will create the basis for optimizing the service strategy, minimizing subsequent costs and enhancing the customer experience. The company decided to use the RFM (Recency, Frequency, Money) model

Recency (R): Recency measures the time since a customer's last purchase or service.

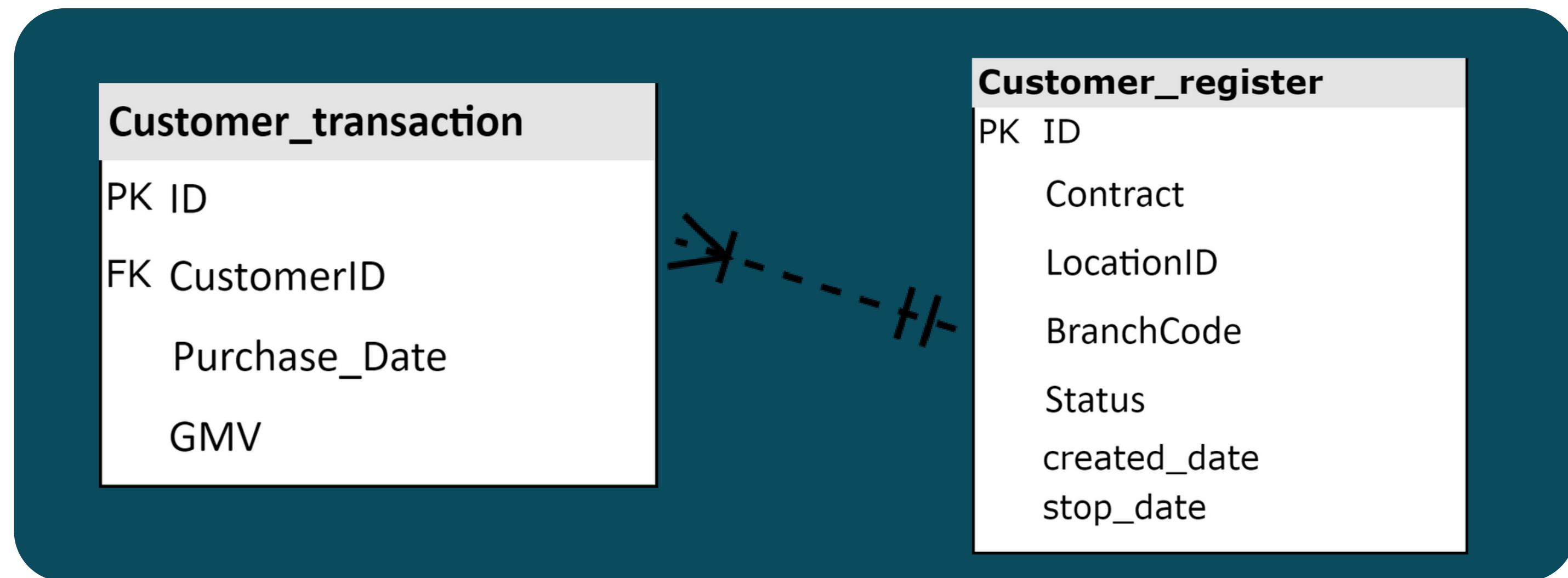
Frequency (F): Frequency measures the number of times a customer has purchased a product or used a service in a certain period of time.

Monetary (M): Monetary measures the total value of all transactions a customer has made.



# DATA

The company uses data from 2 main tables in the database to serve the project



# DATA



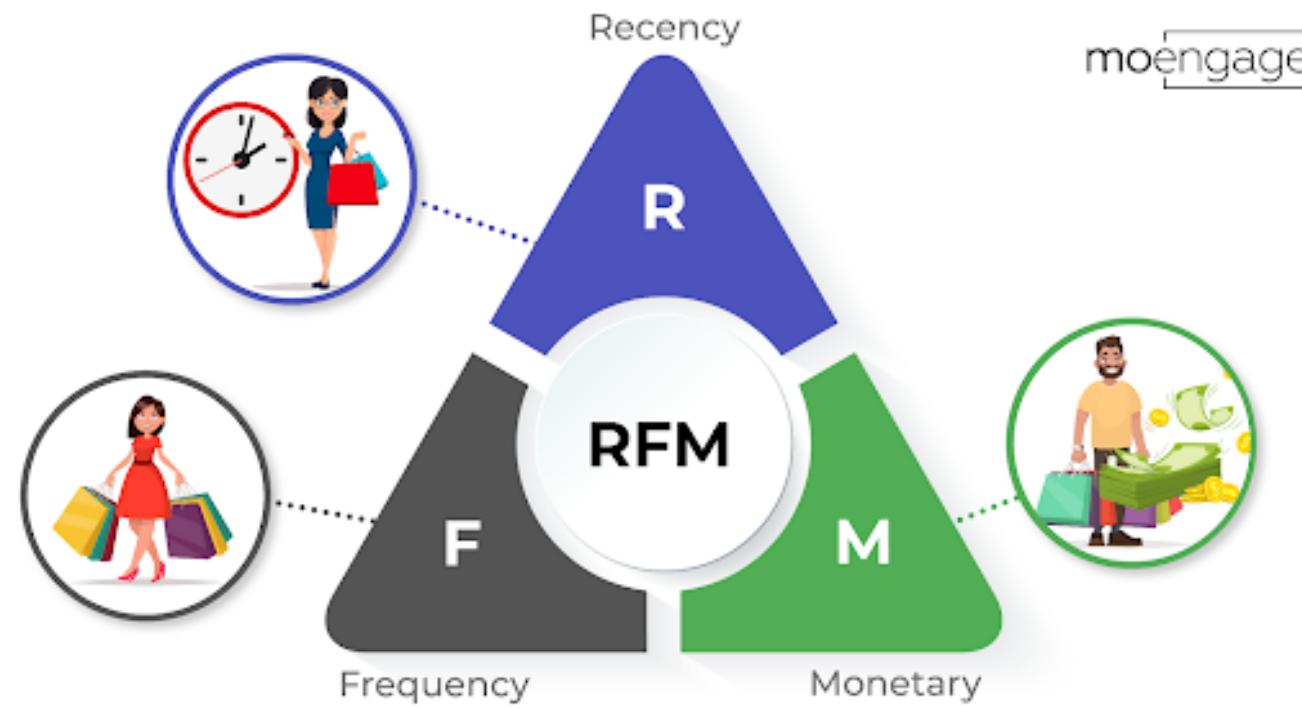
ID	Transaction_ID	CustomerID	Purchase_Date	GMV
0		1327813	2022-06-01	95000
1		1157830	2022-06-01	75000
2		873915	2022-07-01	95000
3		3505071	2022-07-01	90000
4		2930918	2022-07-01	109091
5		899882	2022-06-01	105000

The Customer\_transaction table includes 1,040,184 transactions of 313,324 customers from June 1, 2022 to August 31, 2022

The Customer\_register table includes all customer registration data from March 1, 2009 to August 31, 2022.

ID	Contract	LocationID	BranchCode	Status	created_date	stopdate
0	SGDN00215	8		1	0 2011-11-25 10:48:14	2012-01-05 10:02:10
1	SGDN00214	8		1	0 2012-06-14 18:55:26	<null>
2	SGD374348	8		1	0 2012-11-01 18:59:05	<null>
3	SGD022064	8		1	2 2011-06-22 14:54:31	2013-05-29 13:57:51
4	SGD041015	8		5	2 2011-12-17 12:58:58	2014-11-11 09:40:39
5	SGDN00211	<null>	<null>		2 2015-06-09 15:30:14	2015-09-09 09:46:18

# DATA PROCESSING



R

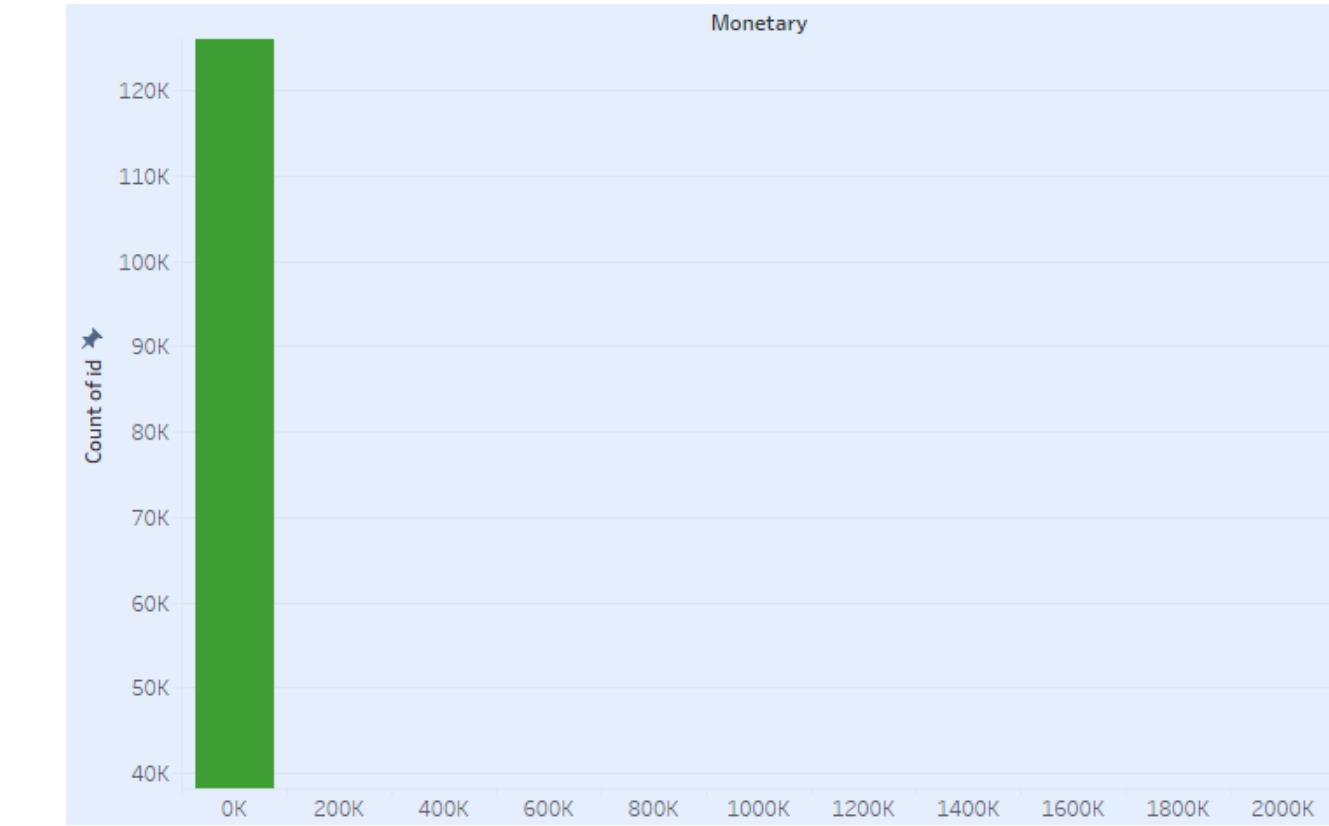
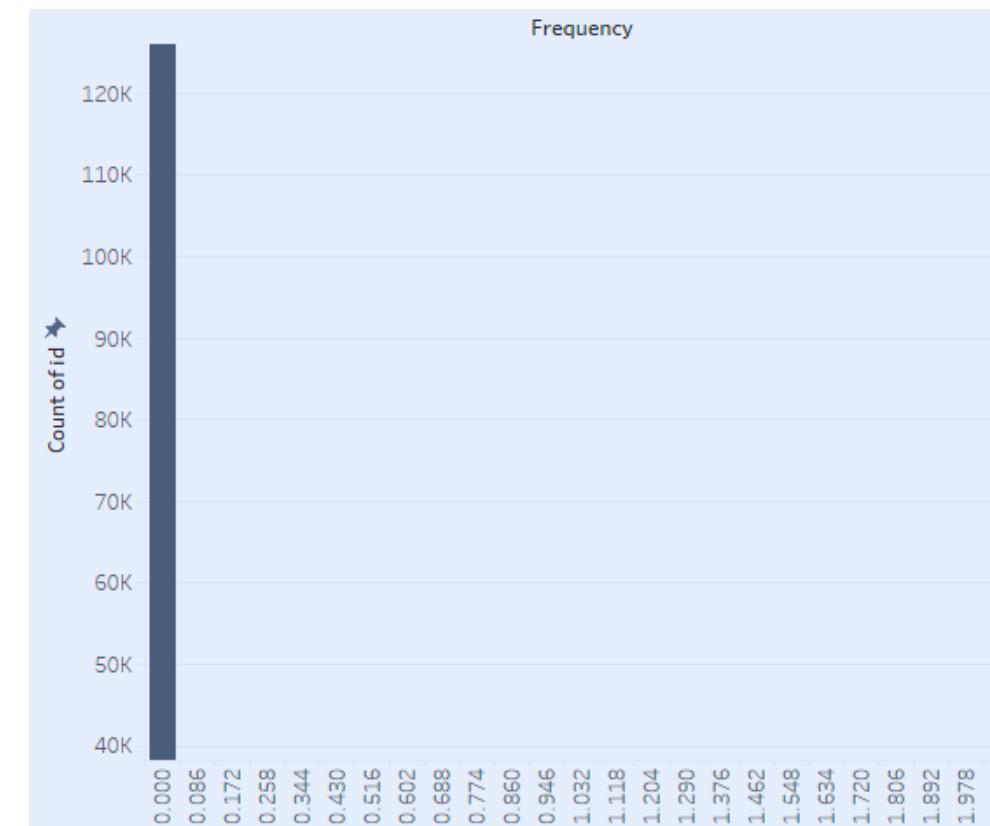
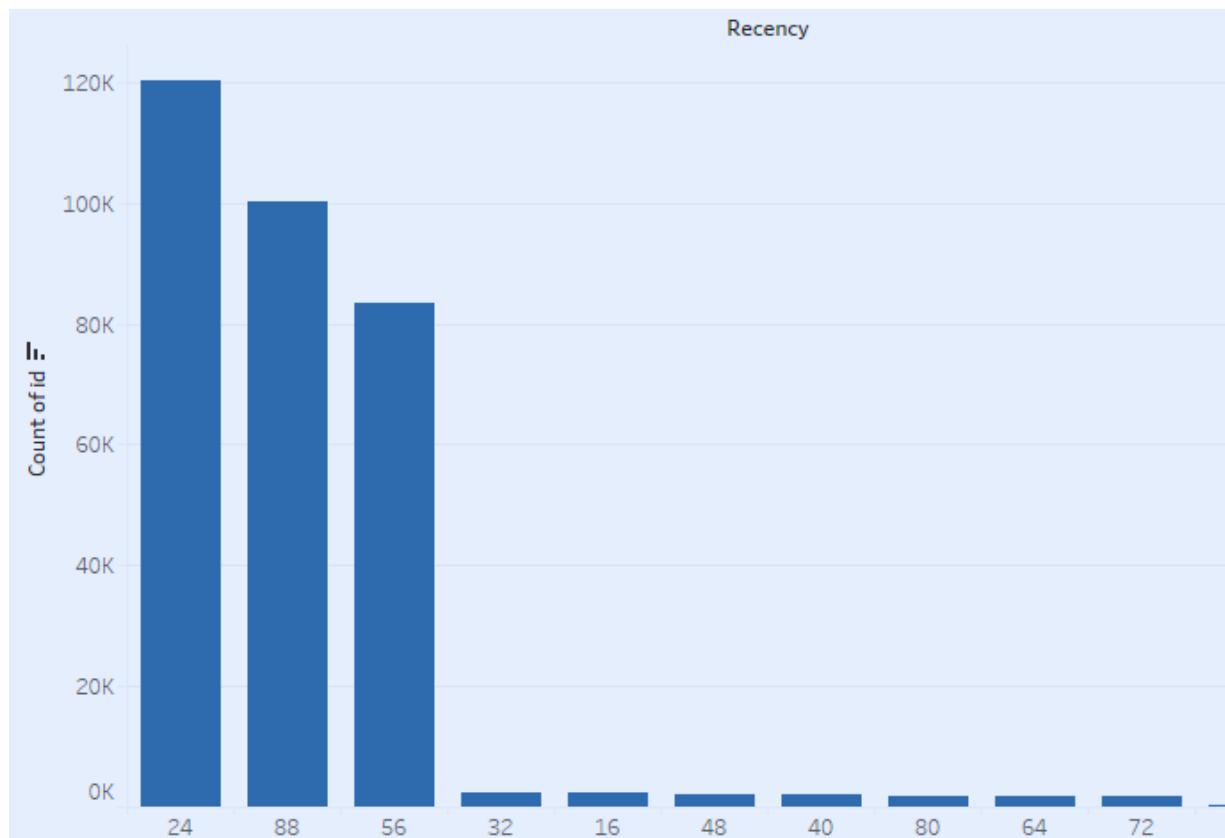
Calculated by the time period from the customer's last purchase until September 1, 2022

F

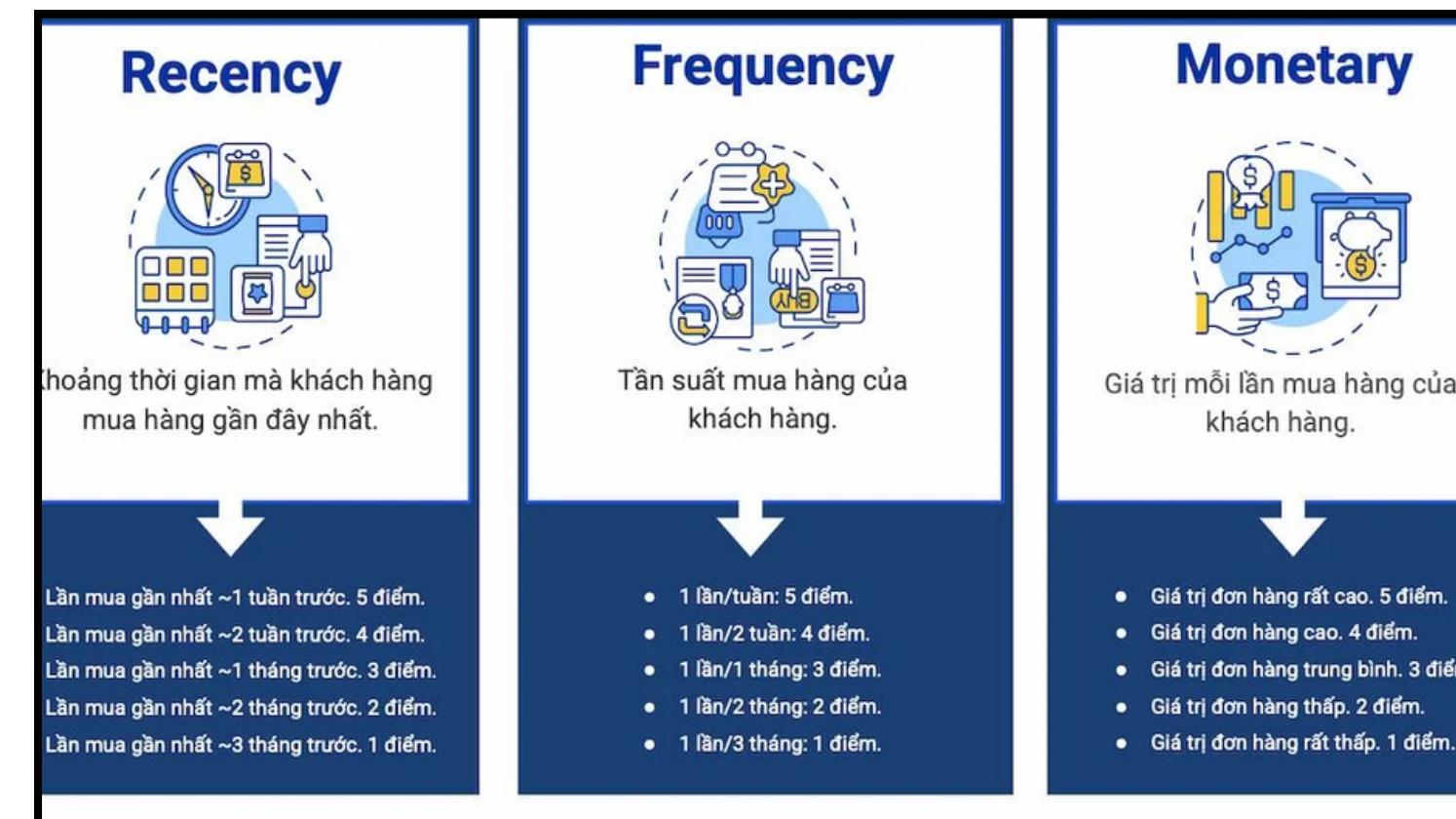
Calculated by the number of customer purchases divided by the customer's age

M

Calculated by the total value of the customer's order divided by the customer's age



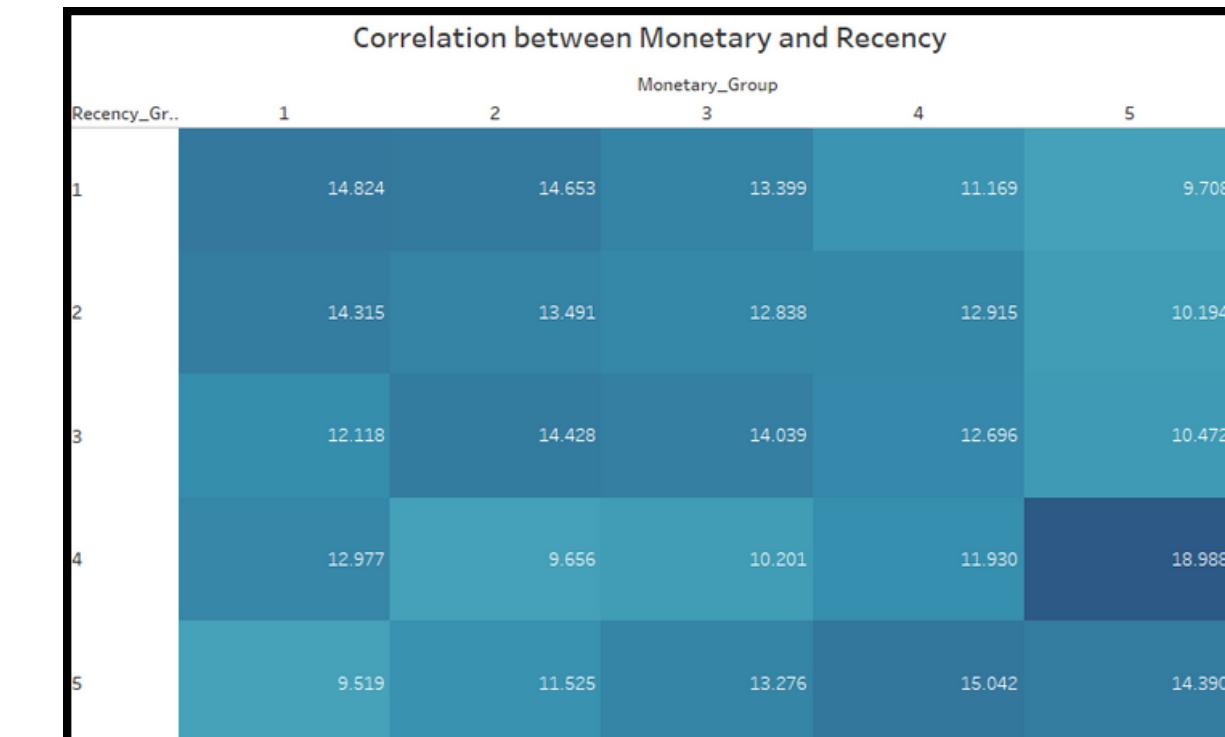
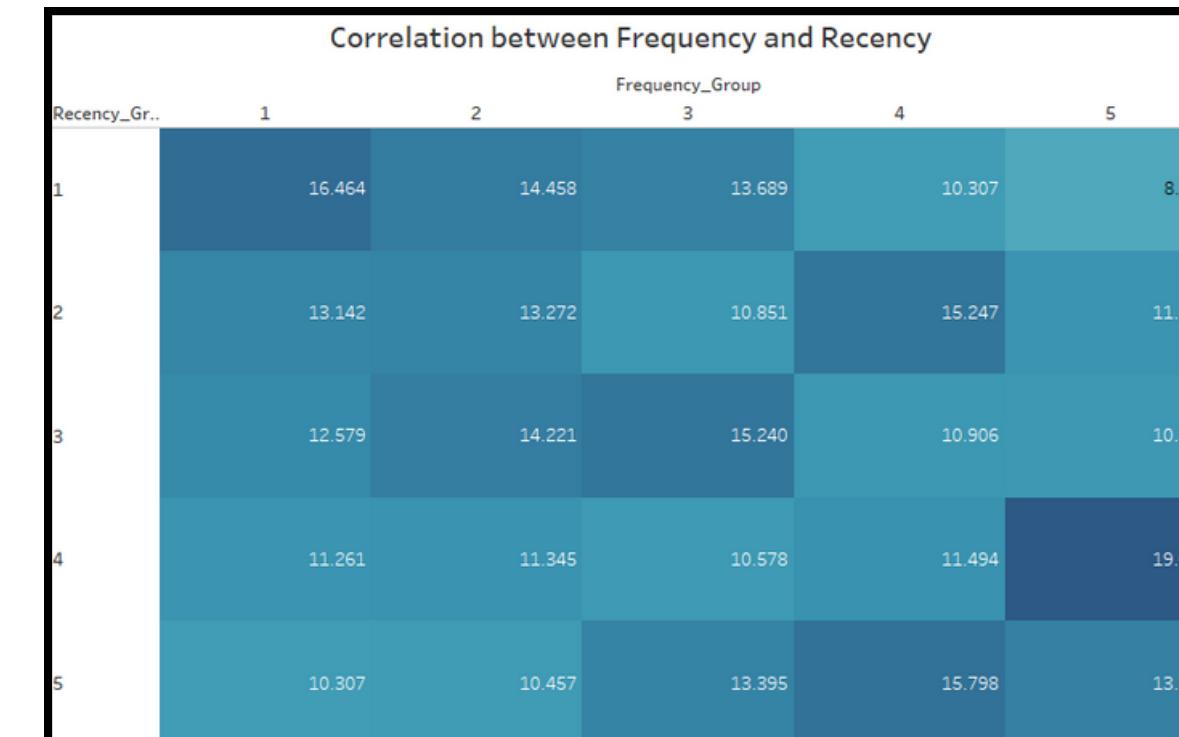
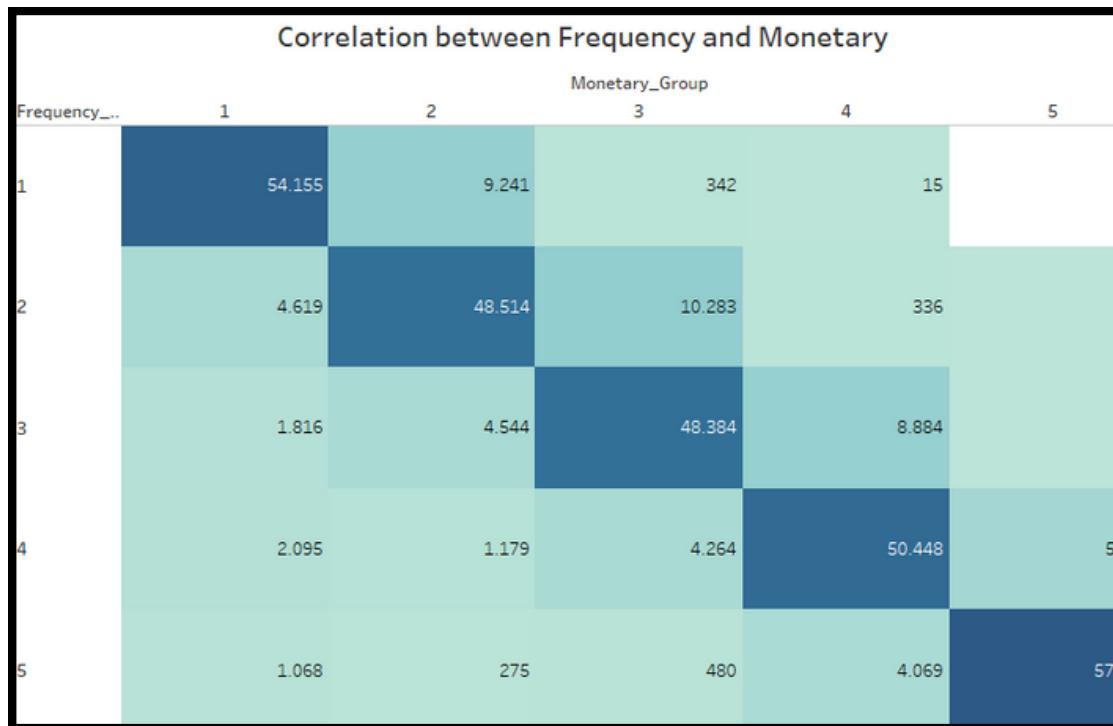
# RANKING SCORE 5 POINT SCALE



	Min	Percentile 20%	Percentile 40%	Percentile 60%	Percentile 80%	Max
R	92	92	62	49	31	1
F	0,0002	0,0009	0,0013	0,002	0,0036	2,0732
M	0,3099	59,5632	88,0503	135,9223	240,9639	2080000

Divide the factors into equal parts and score the 3 factors based on a 5-point scale. The RFM score is created by combining the scores in all three factors.

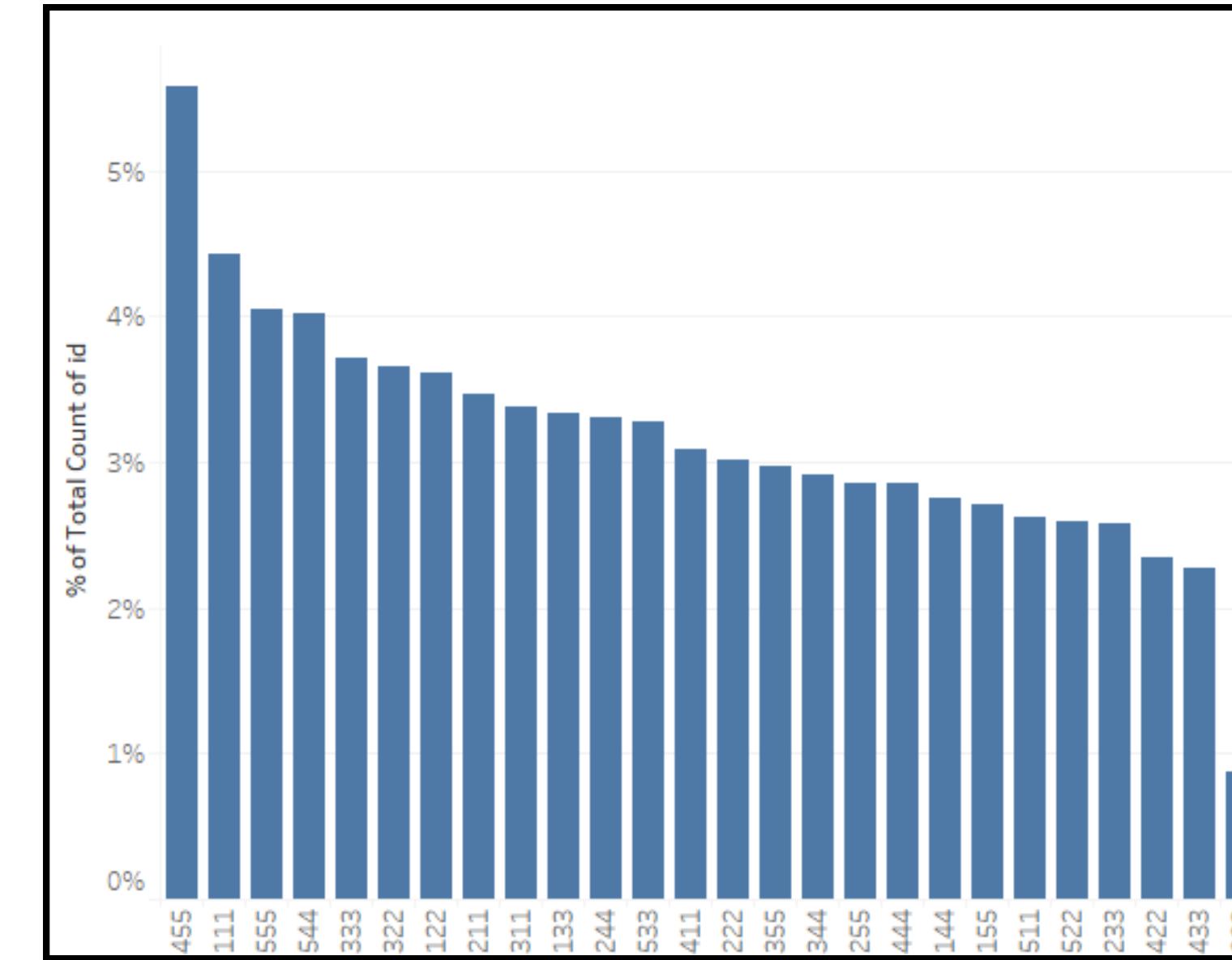
# CORRELATION



- There is a positive linear correlation between the ratings of the two factors Monetary and Frequency
- The higher the frequency of purchases, the larger the amount spent. This is understandable because customers who make more frequent purchases can buy more products, resulting in a higher total spend.
- The correlation between the remaining two pairs of factors is unclear

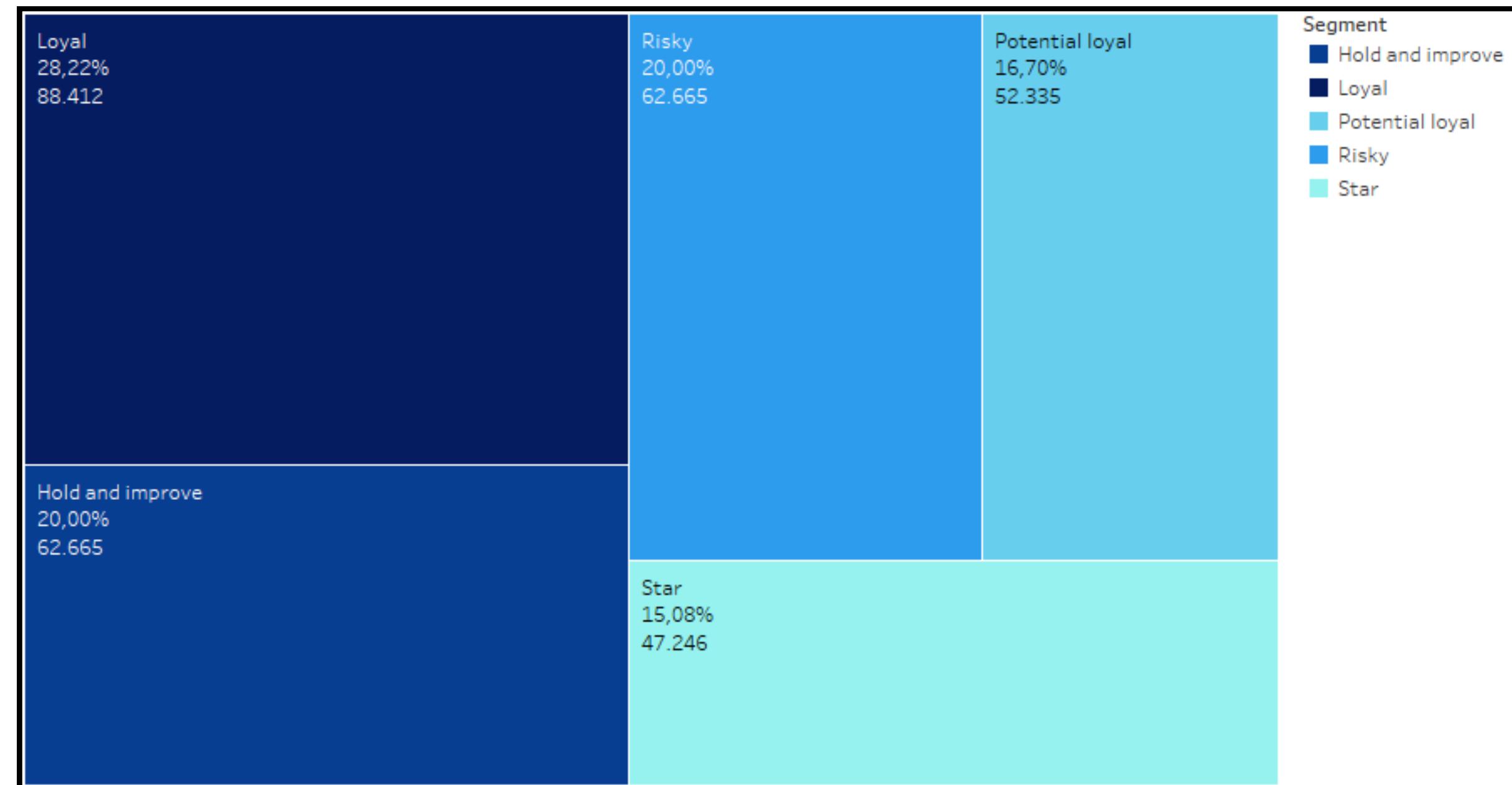
# MAPPING LABEL

Customer segment	RFM scores
Star	542-555
	455
Loyal	541
	511-535
	354-454
Potential loyal	311-353
Hold and improve	211-255
Risky	111-155



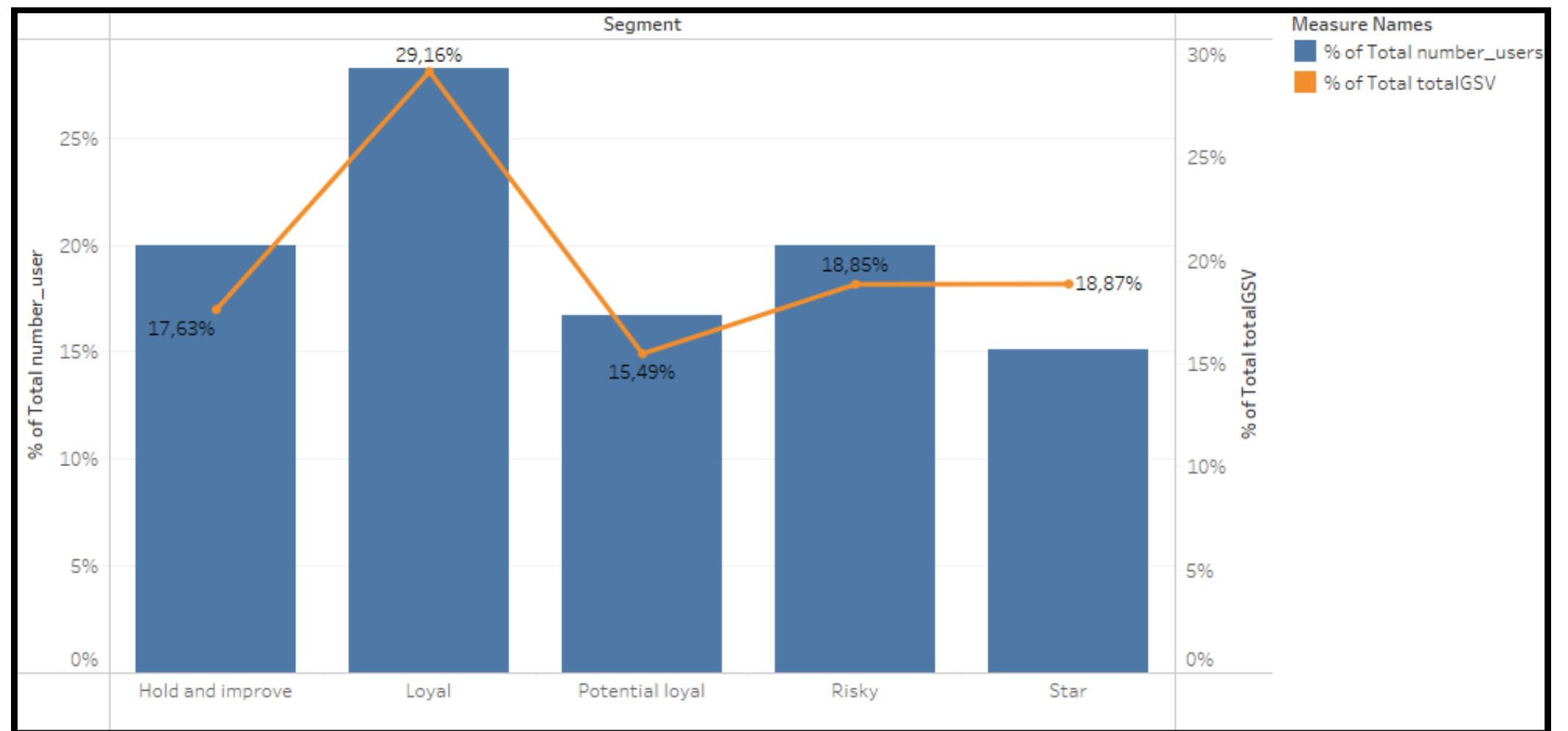
Refer to Umit Uysal's (2019) division of customers into Star, Loyal, Potential loyal, Hold and improve and Risky. Unlike other segments, Uysal's segments do not overlap or leave any gaps so deployment is more practical.

# RESULT



- The difference between the segments is not too much, the smallest is 15.08% (Star) and the largest is 28.22% (Loyal).
- Loyal, Hold and improve and Risky customer groups account for the majority of customers (68.22%)

# ANALYZE



- Customer groups with GMV per customer are:  
97267.37 Star 80347.06 - Loyal 73279.22 Risky 72072.96 Potential loyal 68522.03- Hold and improve
- Loyal and Star customer groups are the most important customer groups for businesses because they have a high level of loyalty and large revenue value. Businesses need to focus on retaining and developing this customer group.
- The Potential loyal customer group is also an important customer group for businesses because they have the potential to become loyal customers. Businesses need to focus on attracting this group of customers.
- Hold and improve and Risky customer groups are less important customer groups for the business. Businesses need to focus on improving the experience of Hold and improve customer groups to turn them into more loyal customers. Businesses need to minimize the risk of losing customers in the Risky group.

# RECOMMEND

## LOYAL, STAR

- Continue to provide high-quality products and services: Loyal customers are more likely to continue purchasing from a business if they are satisfied with the business's products and services.
- Recommend new products and services: recommend new products and services to your loyal customers to encourage them to make more purchases.
- Organize events and programs exclusively for loyal customers:

## HOLD AND IMPROVE

- Improve customer experience: provide high quality products and services, competitive prices and good customer service.
- Create loyalty programs: These programs can help businesses retain customers and encourage them to make more purchases.
- Collect feedback from customers: use customer feedback to better understand their needs and improve the customer experience.



## POTENTIAL LOYAL

- Offer special offers and promotions: Special offers and promotions can help businesses attract potential customers.
- Customize products and services for each customer: Businesses can use data to better understand the needs of each potential customer and tailor their products and services accordingly.
- Create an easy and convenient shopping experience

## RISKY

- Identify the reasons why customers are at risk of leaving
- Provide solutions to retain customers: Businesses can provide solutions to retain customers, such as discounts, gifts, or improved customer service.

# **Thank You**

FOR YOUR ATTENTION

