

Customer Segmentation Report (RFM Analysis)

1. Introduction

This report presents a customer segmentation analysis using RFM (Recency, Frequency, Monetary) methodology.

Goal: To identify distinct customer groups and suggest targeted strategies to increase customer lifetime value and retention.

2. Dataset Overview

- Total Customers: 1000
- Features Used: Recency (days since last purchase), Frequency (number of purchases), Monetary (total spend)
- Segmentation Method: K-Means Clustering
- Optimal Clusters: 4 (determined using the Elbow Method)

3. Segment Statistics

Segment | Avg. Recency | Avg. Frequency | Avg. Monetary

| | ----- ----- | ----- ----- | ----- ----- |
|---|-------------|-------------|-------------|
| 0 | 222.87 | 14.54 | 392.81 |
| 1 | 93.05 | 6.03 | 490.53 |
| 2 | 269.16 | 5.48 | 969.15 |
| 3 | 142.55 | 14.18 | 1117.77 |

4. Segment Profiles & Strategy Suggestions

Segment 0 - Loyal but Low Spenders
High frequency, high recency, low spend
Strategy: Upsell or bundle products, offer loyalty rewards

Segment 1 - Recent but Low Frequency
Recent purchases, low frequency and spend

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Strategy: Email campaigns, early lifecycle nurturing

Segment 2 - Dormant High Spenders

Long ago purchase, few but high-value transactions

Strategy: Re-engagement offers, premium-only promos

Segment 3 - VIP Customers

Frequent, recent, and high spenders

Strategy: Priority support, exclusive offers, retention focus

5. Visualization

A scatter plot showing Recency vs. Monetary colored by cluster has been generated and saved separately.

6. Conclusion

Data-driven segmentation enables targeted marketing strategies.

Next steps: Integrate business rules, test response rates, deploy in CRM pipeline.