PHASE 5: BUSINESS INSIGHTS & STRATEGY REPORT

1. EXECUTIVE SUMMARY

This analysis aims to help the company understand its customer base and profitability patterns using RFM segmentation and Customer Lifetime Value (CLV). By analyzing transactional data, we identified key customer groups, spending behaviors, and product category trends to guide data-driven marketing strategies.

The customer analysis reveals a diverse base with varying engagement and spending levels:
• High-value customers (20%) generate a disproportionate share of revenue, highlighting strong loyalty and frequent purchases.
• Medium-value customers (60%) represent the core customer base and offer growth potential.
• Low-value customers (20%) have limited activity and could benefit from reactivation campaigns.

Top-performing product categories include Clothing (11,726 sales), Electronics (9,558 sales), and Home & Garden (7,839 sales).

2. KEY FINDINGS

A. RFM SEGMENTATION INSIGHTS

Segment	Behavior	Key Metrics	Strategy
Champions	Recent, frequent, and high spenders	High RFM (4–5)	Maintain engagement with VIP offers
Loyal Customers	Frequent buyers, medium spend	High Frequency & Monetary	Personalized recommendations
Potential Loyalists	Recently active, moderate spend	Moderate RFM	Upsell and membership incentives
At-Risk	Used to spend more, now inactive	Low Recency, high Monetary	Reactivation campaigns
Hibernating	Inactive, low spenders	Low in all RFM	Seasonal promotions only

B. CUSTOMER LIFETIME VALUE (CLV) SEGMENTATION

High-value customers (20%) generate the majority of revenue, while medium-value customers (60%) are the backbone of the business. Low-value customers (20%) show minimal engagement and should be reactivated selectively.

C. PRODUCT CATEGORY INSIGHTS

Category	Observations	Strategic Use
Clothing	Most purchased category; drives frequent repeat sales	Maintain as core; introduce seasonal collections
Electronics	High-value, moderate frequency	Bundle accessories or warranties for upselling
Home & Garden	Strong secondary category	Promote in spring/summer campaigns
Books & Sports	Niche but consistent buyers	Target hobby-based marketing

3. ACTIONABLE BUSINESS STRATEGIES

1. Focus on high-value customers with exclusive offers.
2. Engage medium-value customers with personalized recommendations.
3. Reactivate low-value and at-risk customers with 'We miss you' campaigns.
4. Use automated triggers based on inactivity to prevent churn.
5. Allocate budget efficiently across segments.

4. BUDGET ALLOCATION

Category	Suggested %
Retention (High & Medium Value)	40%
Re-engagement (At Risk)	30%
New Customer Acquisition	20%
Brand Awareness	10%

5. BUSINESS IMPACT

Implementing these insights could:

☑ Increase retention by 10–15%
☑ Boost repeat purchase frequency among medium-value customers
☑ Improve ROI by focusing on high-value segments
☑ Strengthen overall customer loyalty and lifetime value