

Customer segmentation and behavioral analytics to target spend uplift and customer retention campaigns for a coffee chain

Introduction

Our client is one of the largest American multinational chain of coffeehouses and roastery chains, has 33,833 stores in 80 countries.

Before TransOrg's intervention, active customers or customer's purchasing in the last 90 days were contributing 17% of the total revenues. However, client wanted to increase the share of revenues by active customers to 25% of its total revenues.



TransOrg implemented its advanced analytics and machine learning based solutions and analyzed lapsed customers (transacting between 90 to 180 days ago) and lost customers (transacting more than 180 days ago) to reactivate high potential and high probable customers by targeting them with relevant promotion offers.

Client also needed an interactive customer segmentation dashboard monitoring customers' behaviors by districts, city, store to plan promotion strategies, improve frequency, AT and other KPIs

TransOrg Analytics used advanced analytics and various machine learning techniques and wanted to increase the share of revenues by active customers to 25% of its total revenues.

Solution

TransOrg consolidated, normalized, and harmonized sales data from multiple data sources and created a clean master DataMart that was further used for analytics.

For the analysis, TransOrg segregated the non-transacting customers into two distinct groups of lapsed and lost customers based on their most recent transaction dates. Further, with feature engineering TransOrg created additional variables such as total spend, average transaction size (AT), number of transactions, and promotion flags to further segment customers in each group based on promotion redemption and transaction spend behavior.

TransOrg created seven sub-segments within both the lapsed and lost customer groups, namely:

No promotion redeemed:

1. Single transactions
2. Single transactions (with only birthday benefits only)
3. More than a single transaction with AT<600
4. More than a single transaction with AT>600

Promotion redeemed:

1. Single transaction
2. 2 to 3 transactions
3. more than 3 transactions
4. TransOrg further analyzed which promotion offers should be offered to each sub-segment

Developed SVOC (Single View of Customers) with 150+ features using last 18 mths, 90/60/30 days' transactional data

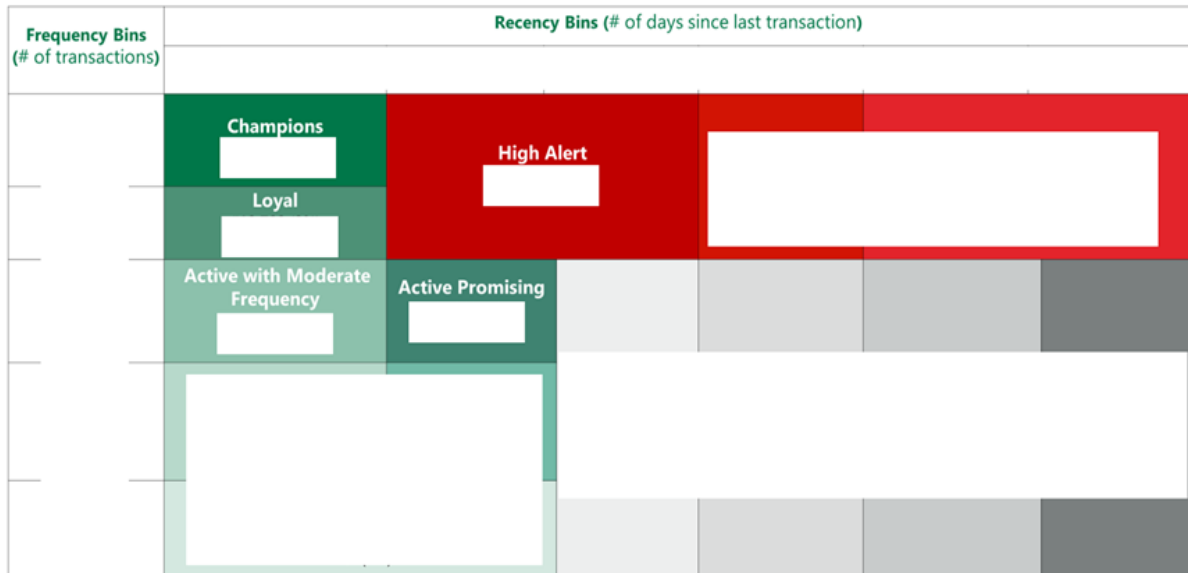
RFM segmentation assigned each customer to one of 15 unique value-based segments
Derived customer personas based on k-means behavioral segmentation with important features such as:

- Total drink items, total food items purchased
- Modified items/trxn (Total Modifier Items/Total Trxns)
- Average Spend/trxn (Total Spend/TotalTrxns)
- Discount contribution in total amount

Shared key insights & actionable customer segments such as:

- Single-visit customers
 - Customers with very low affinity toward promotions
 - Drink modifiers had high avg spend
 - Food lovers had high total qty & highest AT
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For each RFM segments five (5) personas were found, that were further segregated to arrive at 6 important features such as favorite time of day/week, tier-wise distribution, category, item



* Identified several opportunities for differentiated engagement strategies such as winning back “High Alert” customers or motivating “Active” customers to shift to Loyal/Champions segments

Impact

- Focused promotion strategies on just 25% of customers contributing ~80% of revenues, further of these customers identified:
 - ~15% driving 60% of spend to defend brand loyalty & stickiness
 - ~12% driving 6% of spend to improve recency, frequency or both
 - 4% dormants who drove ~15% spend for reactivation

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