

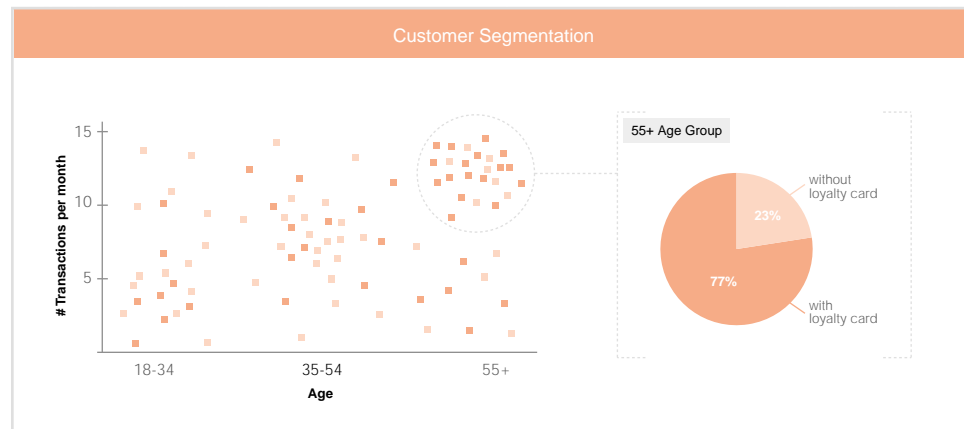
Customer Segmentation Analysis

Customer segmentation analysis allows organizations to identify groups of like customers based on their transaction history and then study behavioral patterns within these groups. Armed with a better understanding of their customer base, marketing managers can design targeted marketing and service campaigns to reach specific customer segments with offers that are suited to their needs and preferences. Segmentation analysis has as inputs customer transactional, demographic and psychographic data. Business intelligence provides statistical techniques and data mining algorithms to analyze any number of customer attributes to uncover patterns in behavior. Ad hoc analysis functions are seamlessly integrated with data mining to allow analysts to investigate the characteristics of uncovered segments and generate specific customer lists within each segment. These lists may feed campaign management systems, be used for calling campaigns, or feed Website content management applications to serve up offerings relevant to the segment.

Key Performance Indicators

- Lifetime Value Score
- Profit Decile
- Campaign Response Rate
- Revenue per Customer
- Top 5 Customer Segments by Revenue
- Bottom 10% of Segments by Contribution
- Gross Margin per Customer
- Profit Margin per Segment
- Active Customers

Sample Report: Customer Segmentation Visualization and Drill-down



This statistical scatter plot is a first step in segmentation analysis where data is mined for trends and patterns. A marketing analyst can perform this type of analysis using any number or combination of metrics to look for emerging patterns that can be used to segment customers. In this report, customer segments along age can be seen from the tighter groupings of dots. Further drilling into one of the segments reveals that a majority of these customers use a loyalty card when shopping. Clicking on the pie segment representing customers without a loyalty card will generate the associated customer mailing list.

COMMON BUSINESS QUESTIONS

- What is the current distribution of customers by demographic?
- How has the age distribution within our customer base changed over the past 10 years?
- What is the distribution of customers by lifetime value?
- What percent of my revenues are contributed by a given segment of customers?
- What are the revenue, profit and margin contributions by customer profile?
- Which segment of customers responded best to our recent email campaign?
- Which customer segment is our most profitable?
- Which campaign has been the most effective with segment X?
- Is there a trend in buying behavior by segment?