



## **Background**

Client is a high-end online-only luxury retailer with multiple product categories (Home, Men, Women and Children). While its online member base was increasing, its customer base was not increasing at the same rate. Client wanted to understand the marketing and product preferences of its consumers to accomplish the following:

1. Increase activation rates of new member sign-ups
2. Increase member-to-customer conversion rates – a ‘customer’ is defined as someone who has at least made one purchase within 30 days of the member registration

## **Approach**

The business units were used to targeting the consumers in isolation, resulting in the same consumer being targeted by multiple business units at the same time. This led to lot of inefficiencies within the client organization, while at the same time upsetting the consumer. The simultaneous targeting of the consumer from the same brand, yet different business groups resulted in increasing discontent from the consumer.

The first step was to study the member browsing behavior at the brand, product category and brand group level to determine if future purchases can be predicted based on:

- The brands visited/purchased
- The product categories visited/purchased
- The brand group visited/purchased

Through the exploratory analysis, it was found that brand groups was a strong indicator of the member’s purchase intent.

As next step, clustering technique was applied on the existing customers based on their purchase behavior and other key attributes. This resulted in 10 different clusters being formed.

The new members were then assigned to each of these clusters based on their highest predicted probability. Conversion models and clusters were then used to run campaigns for all four divisions.

Two separate models were created – one for the member base and another for the customer bases to predict and influence purchase behavior. Members and customers had to be treated differently as their purchase path was different. For example, transaction behavior played a deterministic role in predicting purchase behavior for customers, while site visitation and demographics played a key role in predicting purchase behavior for members. Moreover, it was found there was a low chance of conversion to customers if members didn’t make their first purchase within 14 days of their enrollment.



## **Outcome**

Clustering customers/members based on their brand group affinity and building separate models for customers/members allowed the client to run targeted campaigns for its audience base. While in the past, each business unit ran its own independent campaign, as a result of this engagement, the business units were able to work together in building a consolidated campaign. Also, the client was able to dynamically modify the campaigns by adjusting the screen space for the different business units one campaign at a time.

This resulted in two desired outcomes

- A 15% increase in new member activation rates
- A 12% increase in member-to-customer conversions (across business units) while keeping all other key metrics stable