ABSTRACT

This research was aimed at conducting customer segmentation by applying Recency, Frequency, Monetary (RFM) model. Segmentation was administered by K-Mean Clustering, and no of clusters was carried out by utilizing Elbow Method. The data, it is about 15.545 customer data, was obtained from PT Bobobox Mitra Indonesia which running accommodation service business. Through Elbow method, the finding of the study revealed that there were three clusters. Furthermore referred to as segment.

First segment was marked as R↑ F↓ M↓, meaning that its recency was considered high, while frequency and monetary were considered low. This first cluster was translated as a 'new customers'. Total data in this category is 11.271 or equal to 72.5% from total population. Cluster two was marked as R↓ F↓ M↓, meaning that all attributes from RFM is considered low. Hence, this cluster can be categorized as 'inactive customers'. This segment had 4,160 data or equal to 26.8% of the total population. Meanwhile, Cluster three was the best cluster and categorised as 'loyal customers'. This cluster was marked as R↑ F↑ M↑. This segment only had 114 data or equal to 0.7% from total population.

Furthermore, knowing the number of segments, the next step was to develop marketing mix for each segment. This development used a qualitative method, by conducting a group discussion forum (FGD). There were 4 interviewees selected from the marketing and product & tech divisions. Selection of these sources was based on two criteria, namely permanent employees and someone who had an understanding of the marketing mix.

The objective of marketing mix development for the loyal customers was to maintain the engagement that had been formed with customers in that segment. The new customers segment had an objective to turn customers in this segment into repeat customers. Meanwhile, for the third segment, namely inactive customers, it aimed at conducting a survey in order to find out the reasons why customers in that segment had never made a purchase again.

The results of this study are expected to assist the company in increasing customer retention, as one of the objectives of the company.

Keywords: *Customer Segmentation, RFM Model, K-Mean Clustering, Elbow Method, Marketing Mix*