

## RFM SEGMENTATION ANALYSIS FOR DETERMINE ONLINE MARKETING STRATEGY: THE SOUL COFFEE MATE CASE STUDY

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### ABSTRACT

This study explores the impact of digital marketing on a cafe named The Soul, located in Jakarta. The cafe experienced a recent decline in sales attributed to factors such as new competitors, closures of nearby establishments, diminishing trends in working from cafes, and changes in customer demographics. Recognizing the need for a robust online marketing strategy, researchers aim to analyze customer segmentation using the RFM model, focusing on Recency, Frequency, and Monetary aspects of transactions over the past 11 months. The goal is to understand customer behavior, design effective online marketing strategies, and ultimately boost the company's revenue. The RFM analysis results identified eight customer segments for The Soul: Soulmate, Loyal Customers, Potential Loyalists, Promising, New User, At Risk, Can't Lose Them, and Hibernating. Proposed strategies include personalized promotions for different customer segments, such as monthly appreciation for "Soulmate" customers, discounts for loyal customers, and targeted communication for new or inactive users. These strategies aim to enhance customer engagement, loyalty, and satisfaction through digital promotions and personalized interactions.

**Keywords:** Cafe Business, Customer Behavior, Customer Segmentation, Customer Loyalty, Digital Marketing, Online Promotion, RFM Model, Sales Analysis.

### ABSTRAK

Penelitian ini mengeksplorasi dampak pemasaran digital pada sebuah kafe bernama The Soul yang berlokasi di Jakarta. Kafe tersebut mengalami penurunan penjualan baru-baru ini yang disebabkan oleh faktor-faktor seperti pesaing baru, penutupan tempat usaha terdekat, berkurangnya tren bekerja dari kafe, dan perubahan demografi pelanggan. Menyadari perlunya strategi pemasaran online yang kuat, para peneliti bertujuan untuk menganalisis segmentasi pelanggan menggunakan model RFM, dengan fokus pada aspek Transaksi Kekinian, Frekuensi, dan Moneter selama 11 bulan terakhir. Tujuannya adalah untuk memahami perilaku pelanggan, merancang strategi pemasaran online yang efektif, dan pada akhirnya meningkatkan pendapatan perusahaan. Hasil analisis RFM mengidentifikasi delapan segmen pelanggan untuk The Soul: Jodoh, Pelanggan Loyal, Loyalis Potensial, Menjanjikan, Pengguna Baru, Berisiko, Tidak Bisa Kehilangan Mereka, dan Hibernasi. Strategi yang diusulkan mencakup promosi yang dipersonalisasi untuk segmen pelanggan yang berbeda, seperti apresiasi bulanan untuk pelanggan "Soulmate", diskon untuk pelanggan setia, dan komunikasi yang ditargetkan untuk pengguna baru atau tidak aktif. Strategi ini bertujuan untuk meningkatkan keterlibatan, loyalitas, dan kepuasan pelanggan melalui promosi digital dan interaksi yang

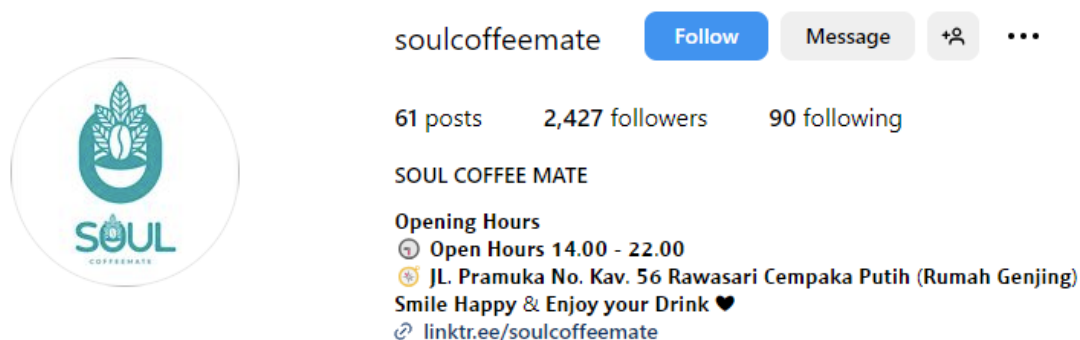
dipersonalisasi.

**Kata Kunci:** Analisis Penjualan, Bisnis Kafe, Loyalitas Pelanggan, Model RFM, Pemasaran Digital, , Perilaku Pelanggan, Promosi Online, Segmentasi Pelanggan.

## INTRODUCTION

The development of information technology has transformed the landscape of the marketing world in recent years. Marketing communication methods that once relied on traditional and conventional approaches have undergone significant transformation with integration into the digital realm. This phenomenon is known as digital marketing. According to (Chavey, 2000), digital marketing, or electronic marketing (e-marketing), has a nearly identical meaning, both describing the management and execution of marketing through electronic media.

The Soul, a cafe located at Jl. Pramuka Kav.56 Rawasari, Cempaka Putih, Jakarta, has also been affected by the advancements in the digital world. The Soul is a cafe that embraces an outdoor concept, offering both coffee and non-coffee beverages, as well as fast-food items. Like many other businesses, The Soul has experienced a significant shift in how they interact with customers and promote their products. In its initial year of establishment, The Soul's owners heavily relied on conventional marketing strategies, targeting potential customers, especially those in the vicinity of the cafe.



**Picture 1.** Instagram *The Soul Coffee Mate*

In its second year of operation, the cafe's owners recognized the importance of utilizing digital media as a marketing effort to increase product awareness among potential customers. For nearly the past year, The Soul has been leveraging digital media, specifically Instagram, to promote its products. The cafe owners have observed an increase in customer engagement since adopting online media. However, in the last six months, The Soul's sales have experienced a decline of approximately 10%-15%. Several factors are suspected to be contributing to this downturn.

Firstly, the emergence of a new competitor around of The Soul (Kopi Kenangan). Secondly, the closure of some shops around the cafe area has resulted in regular customers no longer visiting The Soul. Thirdly, the trend of working from cafes/homes has diminished with the lifting of the Covid pandemic status in Indonesia. Fourthly, some customers who used to frequent the cafe are now married or have children, leading them to budget and reduce their time spent at The Soul. This has prompted The Soul to recognize the need for developing its online marketing strategy.

Business entities with online access, social media engagement, and developed e-

commerce capabilities generally experience significant benefits in terms of revenue, job opportunities, innovation, and business competitiveness. As an entrepreneur, careful planning of an appropriate business strategy is paramount. Customers are the primary assets and the key to business success. Therefore, many entrepreneurs compete to attract customer attention and exert considerable effort to retain them (Marisa F., Ahmad, S. S., Yusof, Z. I., Fachrudin, & Aziz, T. M., 2019).

Kotler and Keller 2012, state, "*In the evaluation stage, consumers choose among the brands in the choice set and may also form an intention to buy the most preferred brand.*" Consumer purchasing decisions involve an activity where consumers select, assess, and evaluate alternative purchases based on their needs or desires. According to (Kotler, 2007), manufacturers require a consumer behavior strategy to achieve these goals, and there are several internal and external factors that influence this process. The external factors referred to include cultural, social, personal, and psychological elements.

Competition in the cafe business is increasing, and to boost the sales of their products, businesses in this field must have effective strategies to stay ahead. One approach is for companies to leverage existing sales data. Data from product sales made by the cafe will gradually produce a pile of data.

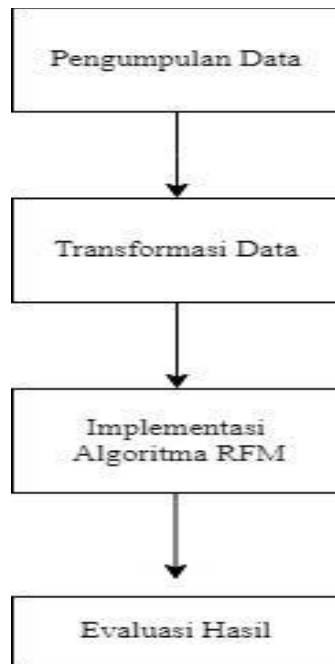
In this research, the analyst will conduct a customer segmentation analysis for The Soul utilizing the RFM model, utilizing transactional data over the past 11 months (January–November 2023). Recency, Frequency, and Monetary (RFM) are methods that can be employed to predict the behavior and potential of loyal consumers (valuable customers) by analyzing when the customer's last purchase occurred (Recency), how frequently the customer engages in transactions (Frequency), and which customers have the highest spending within a specific period (Monetary).

The objective of conducting segmentation analysis using the RFM model is to gather data on The Soul's product sales transactions. This data serves as a foundational basis for understanding consumer behavior. Subsequently, it is utilized to formulate more effective online marketing strategies with the aim of enhancing the company's revenue.

## RESEARCH METHOD

This research was conducted through four main stages, namely data collection, data transformation, RFM algorithm implementation, and result evaluation. The methodology employed is illustrated in Figure 2.0. The RFM model is a model that has a significant role in assessing the profitability of customer value, as indicated (A. Febriani dan S. Putri Ashari, 2020). The RFM model (Recency, Frequency, Monetary) has been widely applied in the field of marketing due to its effective contribution to decision-making, identification of valuable customers, and become as the foundation for developing efficient marketing strategies (B. E. Adiana, I. Soesanti, dan A. E. Permanasari, 2018).

The RFM model consists of three primary attributes: recency (R), measuring the time interval since the customer's last transaction during the analysis period; frequency (F), reflecting the number of transactions conducted by the customer with the company during the analysis period; and monetary (M), indicating the total amount spent by the customer on the company's products or services during the analysis period (S. Monalisa, 2018). Higher values for attributes R and F increase the greater customers opportunity to make a repeat transaction. On the other hand, a higher value attribute M suggests a greater tendency for customers to engage in transactions (R. Hendrawan, A. Utamima, and H. Annisa, 2015).



**Picture 2.** Methodology

## RESULT AND DISCUSSION

The research used transaction data from The Soul Cafe for data processing through the SPSS program, complemented by interviews and other techniques to enrich the researcher's understanding of the ongoing study, with the intention of presenting these findings to others. In this section, steps such as data preparation, data collection, data processing, interpretation of grouping results, analysis of grouping results, and strategies for enhancing each customer group will be discussed.

### Data Collection

To obtain data from the predetermined sample, the author used transaction data from The Soul Cafe from January 2023 to November 2023. From the collected data, 2743 transactions were obtained involving 399 customers conducting transactions at The Soul Cafe. The next step involved inputting this data into the "Microsoft Excel" program as the input for the SPSS program.

### Data Processing

In the data processing for this research, the author used the "Microsoft Excel" program to input initial data and the SPSS program for RFM analysis, thereby obtaining the final segmentation results for customers at The Soul Cafe.

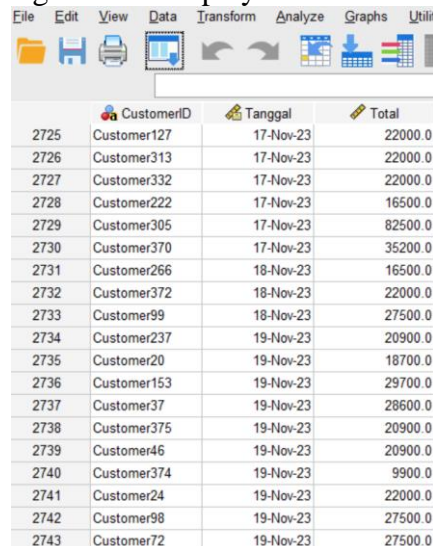
The steps involved are as follows:

1. Inputting initial data into the "Microsoft Excel" program. This data includes Customer ID, Date, and total sales for each transaction. The results are as follows:

CustomerID	Tanggal	Total
Customer272	7/20/2023	27,500
Customer104	7/20/2023	29,700
Customer165	7/20/2023	20,900
Customer193	7/20/2023	31,900
Customer44	7/20/2023	27,500
Customer263	7/20/2023	22,000
Customer241	7/20/2023	27,500
Customer19	7/20/2023	25,300
Customer364	7/21/2023	83,600
Customer263	7/21/2023	56,100
Customer242	7/21/2023	55,000
Customer134	7/21/2023	19,800
Customer290	7/21/2023	44,000
Customer232	7/21/2023	20,900
Customer87	7/21/2023	27,500
Customer71	7/21/2023	30,800
Customer217	7/21/2023	30,800
Customer71	7/21/2023	18,700
Customer221	7/21/2023	49,500
Customer166	7/21/2023	16,500

**Picture 3.** Sample of Some Transactions at The Soul Cafe in Excel File

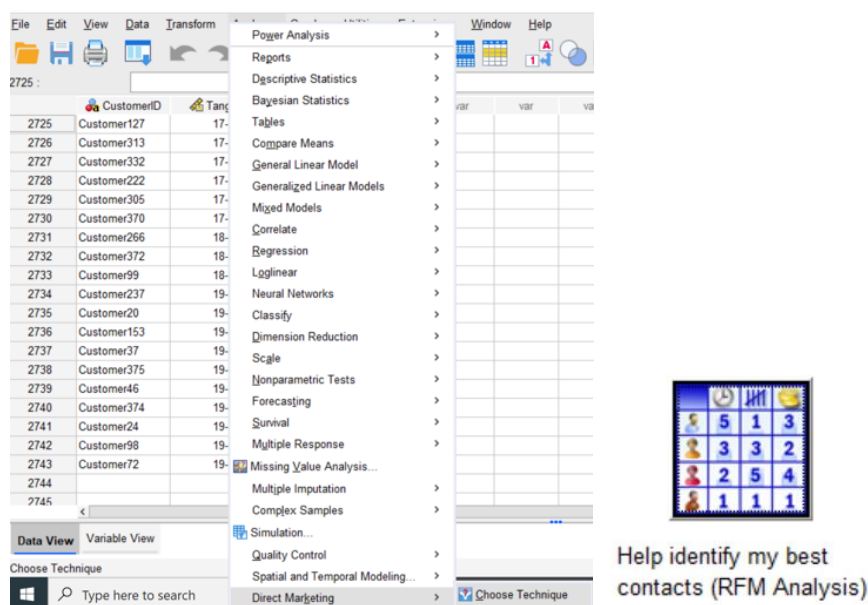
2. Upload 2743 sales transaction data into the SPSS program after inputting it into an Excel file. The SPSS program will display views "data view" as shown below:



	CustomerID	Tanggal	Total
2725	Customer127	17-Nov-23	22000.0
2726	Customer313	17-Nov-23	22000.0
2727	Customer332	17-Nov-23	22000.0
2728	Customer222	17-Nov-23	16500.0
2729	Customer305	17-Nov-23	82500.0
2730	Customer370	17-Nov-23	35200.0
2731	Customer266	18-Nov-23	16500.0
2732	Customer372	18-Nov-23	22000.0
2733	Customer99	18-Nov-23	27500.0
2734	Customer237	19-Nov-23	20900.0
2735	Customer20	19-Nov-23	18700.0
2736	Customer153	19-Nov-23	29700.0
2737	Customer37	19-Nov-23	28600.0
2738	Customer375	19-Nov-23	20900.0
2739	Customer46	19-Nov-23	20900.0
2740	Customer374	19-Nov-23	9900.0
2741	Customer24	19-Nov-23	22000.0
2742	Customer98	19-Nov-23	27500.0
2743	Customer72	19-Nov-23	27500.0

**Picture 4.** Result of loading sales transaction data into the SPSS Program

3. Perform analysis using the SPSS program for RFM segmentation. Navigate to "Analyze," proceed to "Direct Marketing," and select the "Choose technique" option. Then choose RFM analysis as shown below:



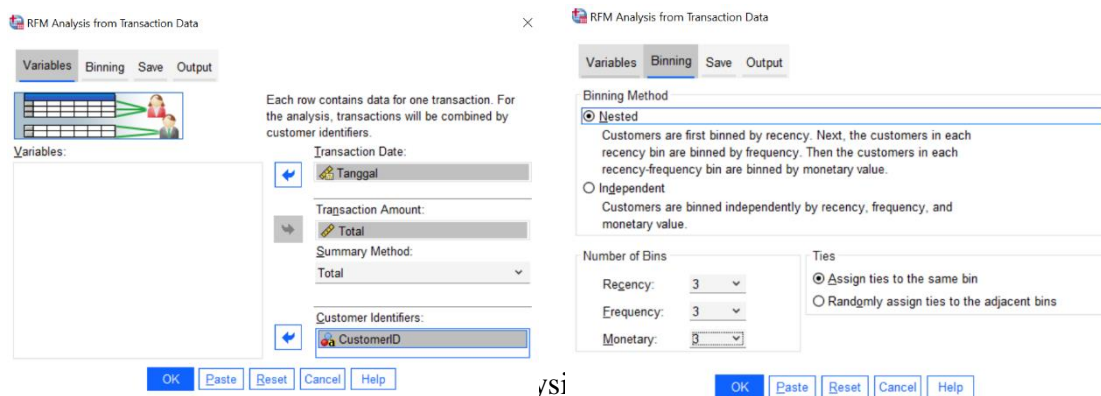
RFM Analysis: Data Format

My data are:

**Transaction data**  
Each row contains data for one transaction. For the analysis, transactions will be combined by customer identifiers.

**Picture 5.** RFM Analysis Process in SPSS

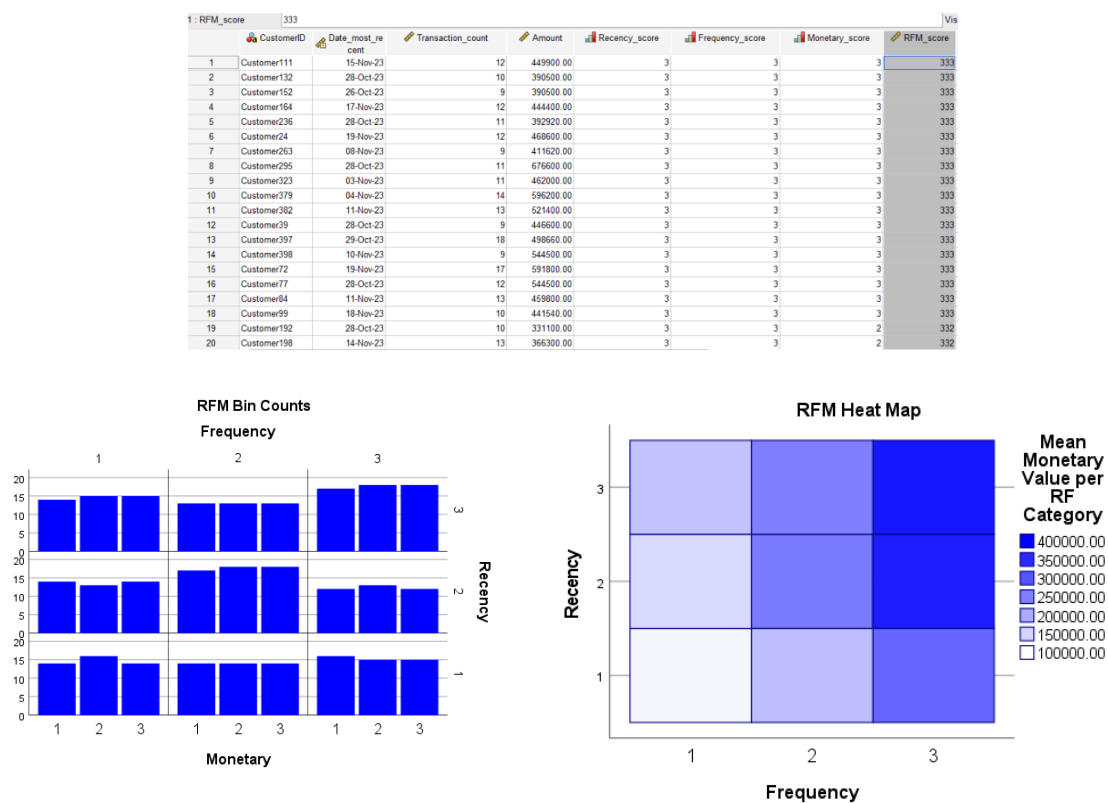
4. Enter all numeric attributes into the "variable" column, and select "Number of Bins" as 3 for each "Recency," "Frequency," and "Monetary."



## Grouping Result

In this grouping results stage, the following steps are involved:

After entering all input data into the SPSS program, the output will appear as follows:



Picture 7. SPSS Output in RFM Analysis

1. In this study, based on the SPSS output, we attempted to group RFM scores with the criteria for each group as follows:

RFM Groups	RFM Score						
Soulmate	333	233					
Loyal Customers	332	331	223	323			
Potential Loyalists	322	232	231				
Promising	221	321	313	312	222	213	212
New Users	311	211					
At Risk	131	122	121				
Cant Lose Them	133	132	113	123			
Hibernating	112	111					



No	CustomerID	Date_most_recent	Transaction_count	Amount	Recency_score	Frequency_score	Monetary_score	RFM_score	RFM Group
1	Customer111	15-Nov-23	12	449,900	3	3	3	333	Soulmate
2	Customer132	28-Oct-23	10	390,500	3	3	3	333	Soulmate
3	Customer152	26-Oct-23	9	390,500	3	3	3	333	Soulmate
4	Customer164	17-Nov-23	12	444,400	3	3	3	333	Soulmate
5	Customer236	28-Oct-23	11	392,920	3	3	3	333	Soulmate
6	Customer24	19-Nov-23	12	468,600	3	3	3	333	Soulmate
7	Customer263	8-Nov-23	9	411,620	3	3	3	333	Soulmate
8	Customer295	28-Oct-23	11	676,600	3	3	3	333	Soulmate
9	Customer323	3-Nov-23	11	462,000	3	3	3	333	Soulmate
10	Customer379	4-Nov-23	14	596,200	3	3	3	333	Soulmate
11	Customer382	11-Nov-23	13	521,400	3	3	3	333	Soulmate
12	Customer39	28-Oct-23	9	446,600	3	3	3	333	Soulmate
13	Customer397	29-Oct-23	18	498,660	3	3	3	333	Soulmate
14	Customer398	10-Nov-23	9	544,500	3	3	3	333	Soulmate
15	Customer72	19-Nov-23	17	591,800	3	3	3	333	Soulmate
16	Customer77	28-Oct-23	12	544,500	3	3	3	333	Soulmate
17	Customer84	11-Nov-23	13	459,800	3	3	3	333	Soulmate
18	Customer99	18-Nov-23	10	441,540	3	3	3	333	Soulmate
19	Customer192	28-Oct-23	10	331,100	3	3	2	332	Loyal Customers
20	Customer198	14-Nov-23	13	366,300	3	3	2	332	Loyal Customers
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396	Customer390	26-Aug-23	2	52,800	1	1	1	111	Hibernating
397	Customer49	30-Aug-23	2	53,900	1	1	1	111	Hibernating
398	Customer66	4-Feb-23	1	20,900	1	1	1	111	Hibernating
399	Customer86	17-Mar-23	1	33,000	1	1	1	111	Hibernating

**Picture 8. Customer Segmentation Based on RFM Score**

## Result Analysis

The segmentation analysis based on RFM Score in the following table:

Group Segment of customer	Sales revenue	% contribution of sales	Number of Customer	Number of Transaction	Frequency Per Customer	RFM Score			
Soulmate	15,002,260	16%	30	345	12	333	233		
Loyal Customers	22,115,220	23%	66	584	9	332	331	223	323
Potential Loyalists	10,419,160	11%	38	338	9	322	232	231	
Promising	19,515,460	20%	105	620	6	221	321	313	312
New Users	3,055,800	3%	28	114	4	311	211		
At Risk	7,334,140	8%	44	274	6	131	122	121	
Cant Lose Them	15,522,480	16%	58	382	7	133	132	113	123
Hibernating	2,322,100	2%	30	86	3	112	111		
<b>Grand Total</b>	<b>95,286,620</b>	<b>100%</b>	<b>399</b>	<b>2743</b>	<b>7</b>				

**Picture 9. Segmentation Analysis**

Below is the explanation each group of segment:

Group	Group Segment	RFM Score	Explanation each Group of Segment
1	Soulmate	333; 233	<p>Your Best Customer:</p> <p>333: The highest-scoring customers in recent purchases (recency), frequent visitation, and highest monetary value in purchases.</p> <p>233: Although they lack of recent purchases (recency), these customers frequently visit and have the highest monetary value in purchases.</p> <p>There are 30 customers, contributing 16% to total sales.</p> <p>Average purchase: Rp 43,484 with a frequency of 1-2 times per month</p>



2	Loyal Customers	332; 331; 223; 323	332; 331; 223; 323 Valuable customers with the highest recent purchases (recency) and frequent visitation. They can become the best, either by focusing on revenue or frequency. Consists of 66 customers contributing 23% to total sales, with an average purchase of Rp 37,868 and a frequency of 1 time per month.
3	Potential Loyalists	322; 232; 231	322; 232; 231 Customers showing potential for loyalty, with good visit frequency, even though they haven't made the highest-value purchases. Need more convincing to become loyal. Comprising 38 customers contributing 11% to total sales, with an average purchase of Rp 30,825 and a frequency of 1 time per month.
4	Promising	221; 321; 313; 312; 222; 213; 212	221; 321; 313; 312; 222; 213; 212 Customers with relatively high scores and variation in recent purchases (recency). They have the potential to be more valuable if empowered properly, showing interest in the brand/product with either repeat purchase or good ticket size. There are 105 customers, contributing 20% to total sales (second-largest segment). Average purchase: Rp 31,476, with a frequency of 1 time per 2 months.
5	New Users	311; 211	311; 211 New customers needing improvement in visit frequency and monetary aspects. Recently bought low-ticket items. Consist of 28 customers contributing 3% to total sales, with an average purchase of Rp 26,805 and a frequency of 1 time per 3 months.
6	At Risk	131; 122; 121	131; 122; 121 Customers showing signs of risk with low visit frequency and low monetary value. Repeat buyers long time ago.
7	Can't Lose Them	133; 132; 113; 123	133; 132; 113; 123 Customers in this segment have low recent purchases (recency) with moderate visit frequency and monetary value. Former power users, high-ticket one-timers.
8	Hibernating	112; 111	112; 111 Customers showing low scores in all three RFM dimensions—recent purchases (recency), visit frequency, and monetary value. Long ago one-time buyers.

### Digital Marketing Strategy

Based on the RFM grouping analysis above, the researcher proposes the use of digital marketing promotion strategies to nurture potential customers, retain existing ones, and enhance loyalty, potentially increasing purchases. The suggested strategies are as follows for each group of segments:

1. Soulmate Group:
  - a. Show appreciation by bestowing titles like "Soulmate of the month" upon selected Soulmate category customers each month.
  - b. Create a design featuring the customer's name or photo and post it on The Soul's Instagram.
  - c. Extend appreciation by inviting the selected customer and their Soulmate (partner, friend, or family) to enjoy two free menu items with a single purchase in that

- month.
- d. Request the chosen customer to provide a testimonial/endorsement, posted on Instagram and TikTok. This strategy can serve as a monthly promotion.
2. Loyal Customers, Potential Loyalists, and Promising Group:
- a. Personalized approach by sending gratitude messages through Whatsapp to each loyal customer.
  - b. Appreciation in the form of a 70% discount for three selected customers on a single purchase in that month.
3. New User, At Risk, Can't Lose Them, and Hibernating Group:
- a. Reach out personally through email with a greeting like, "How are you? We miss having you at The Soul."
  - b. Provide information on the latest menu items, facilities, or activities (e.g., live music, exhibitions, birthday party venue availability, etc.) at The Soul.
  - c. Promote new menus, activities, and facilities on Instagram and TikTok to attract both existing and potential new customers to visit The Soul.

## CONCLUSION AND RECOMMENDATION

### Conclusion

Overall, this study successfully applied RFM (Recency, Frequency, and Monetary) analysis to determine the customer behavior at The Soul Cafe. From the RFM analysis results, the author identified eight customer groups at The Soul: Soulmate, Loyal Customers, Potential Loyalists, Promising, New User, At Risk, Can't Lose Them, and Hibernating. Based on these eight groups, the author recommends a digital marketing promotion strategy aimed at nurturing potential customers, retaining those at risk of leaving, and enhancing loyalty to increase purchases.

### Recommendation

Based on the conclusions drawn from the RFM (Recency, Frequency, and Monetary) analysis, this study suggests several strategic steps for The Soul Cafe to develop a more effective digital marketing strategy. Through the RFM analysis, the researcher successfully identified eight customer groups at The Soul: Soulmate, Loyal Customers, Potential Loyalists, Promising, New User, At Risk, Can't Lose Them, and Hibernating. These strategic recommendations entail efforts to embrace potential customers, retain those at risk of leaving, and enhance loyalty to increase purchases. The suggestions underscore the importance of focusing on customer segmentation, personalized digital promotions, targeted interaction and communication, as well as continuous efforts to strengthen customer loyalty through ongoing evaluation and adjustment of strategies. It is hoped that these initiatives will assist The Soul Cafe in enhancing customer retention, expanding market share, and boosting revenue through more targeted digital marketing strategies.

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