

Abstract:

This study outlines a method of determining individual customer potential, based solely on data present in the customer database: descriptive information and transaction records.

We define *potential* as the incremental turnover that any particular company could do with their present customers.

In order to successfully calculate this potential in a large database with multiple variables, we propose grouping together customers who “look like each other” (known as clones), by means of an appropriate clustering technique: Kohonen Networks.

This method is applied to actual data sets, and various techniques are employed to check the stability of the clusters obtained. Real potential is then determined by means of an empirical approach: practical application to a major French retailer’s database of 5 million customers.