Business requirements document template

Project name:

Optimizing Customer Engagement Through RFM Segmentation

manager: Date submitted:

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1. Executive summary

This project aims to enhance customer targeting by leveraging RFM (Recency, Frequency, Monetary) analysis segmentation. By identifying key customer segments, the marketing team can improve campaign efficiency, increase response rates, and maximize marketing ROI. The analysis will help in understanding customer behavior, which will aid in creating personalized marketing strategies.

2. Project objectives

- Conduct RFM analysis to categorize customers based on their purchase behavior.
- Identify high-value customer segments for targeted marketing campaigns.
- Enhance customer satisfaction and loyalty through personalized marketing strategies.
- Improve response rates and ROI by focusing on valuable customers.

3. Project scope

In-Scope:

- Data cleaning and preprocessing.
- RFM score calculation and segmentation.
- Integration of RFM insights into marketing strategies.
- Performance monitoring and analysis.

4. Business reqirements

Priority level	Critical level	Requirement description
HIgh	3	**Data Cleaning and Preprocessing**: Ensure all data used is accurate, complete, and formatted correctly.
High	3	**RFM Score Calculation**: Develop algorithms to calculate Recency, Frequency, and Monetary values for each customer.
Medium	2	**Integration of Insights**: Incorporate RFM insights into existing marketing strategies and tools.
Medium	2	**Performance Monitoring**: Set up systems to continuously monitor the performance of the segmentation and prediction models.
Low	1	**Training**: Provide training for the marketing team on how to use RFM insights effectively.
Low	1	**Ongoing Support**: Establish a support system for ongoing maintenance and updates to the models.

5. Key stakeholders

Name	Job role	Duties
Marketing Team	Marketing Team	Uses RFM insight to plan and execute targeted campaigns,
Business Intelligent Team	Business Intelligent Team	Develops and maintains RFM models.
IT Department	IT Department	Ensures data availability and infrastructure support.
Executive Management	Executive Management	Oversees project progress and ensures alignment with business goals.

6. Project constraints

Constraint	Description
Data Quality	Ensuring data accuracy and completeness.
Resource Availability	Availability of skilled data scientists and IT resources.
Time	Project timeline and deadlines.
Budget	Financial limitations for purchasing tools and infrastructure.

7. Cost-benefit analysis

Cost	Benefit
Initial Development Cost : $80,000	Leads to the creation of models that provide enhanced customer insights, improve targeting, and increase operational efficiency.
Annual Maintenance Costs: $15,000	Ensures ongoing accuracy and relevance of models, operational continuity, and adaptability to changing conditions.
Discount Rate: 5%	

Infrastructure and Tools: $25,000 (one-time)	Provides robust data processing capabilities, scalability, and access to advanced analytics.
Training Costs: $8,000	Ensures the marketing team can effectively use the models, leading to better decision-making and higher adoption rates.
Total cost: $188,000	**Expected ROI: 607.74%**

7. Cost-benefit analysis	
Cost	Benefit
Initial Development Cost : $80,000 This cost covers the initial setup and development of the RFM, including data preparation, algorithm development, and integration with existing systems.	Expected increase in Revenue: 15% increase due to better-targeted campaigns Reduction in Marketing Costs: 25% reduction Current Annual Marketing Spend: $500,000 Current Annual Revenue from Campaigns: $1,200,000
Annual Maintenance Costs: $15,000 (Annual Costs * 5) This cost includes ongoing maintenance, updates, and support for the RFM models to ensure they remain accurate and relevant over time. **Discount Rate: 5%**	**Annual Benefits**: - Increase in Revenue: $1,200,000 * 15% = $180,000 - Reduction in Marketing Costs: $500,000 * 25% = $125,000 - Total Annual Benefits: $180,000 + $125,000 = $305,000
Infrastructure and Tools: $25,000 (one-time) This cost covers the purchase and setup of necessary infrastructure and tools required for data processing, storage, and analysis.	**Net Annual Benefits**: $305,000 – $15,000 = $290,000
Training Costs: $8,000 This cost includes training sessions for the marketing team on how to effectively use RFM insights in their campaigns.	**Total Project Cost** The total cost of the project over the 5-year period includes initial and annual costs: **Initial Costs**: $113,000 **Annual Costs**: $15,000 (for 5 years) **Discount Rate: 5%** **Years : 5** Total Project Cost = Initial Costs + (Annual Costs * 5) = $113,000 + ($15,000 * 5) = $113,000 + $75,000 = $188,000 PV = Net annual benefits / (1 + discount rate)^t NPV = PV x 5 Years

	Net Present Value (NPV)
	The NPV of the project is approximately $1,142,548.
Total cost: $188,000	Expected ROI $$ROI = \frac{NPV}{Total\ Project\ Cost} \times 100\%$$ $$ROI = \frac{\$1,142,548}{\$188,000} \times 100\% = \textbf{607.74\%}$$