**RFM on a scale of 1 to 4, with 1 being Best**

**R – How recent was their purchase**

**F – How many bills have they made**

**M- Average Ticket Size per customer**

**Introduction:-**

RFM analysis is a marketing technique used to quantitatively rank and group customers based on the recency, frequency and monetary total of their recent transactions to identify the best customers and perform targeted marketing campaigns. The system assigns each customer numerical scores based on these factors to provide an objective analysis. RFM analysis is based on the marketing adage that "80% of your business comes from 20% of your customers."

RFM analysis ranks each customer on the following factors:

* **Recency.** How recent was the customer's last purchase? Customers who recently made a purchase will still have the product on their mind and are more likely to purchase or use the product again. Businesses often measure recency in days. But, depending on the product, they may measure it in years, weeks or even hours.
* **Frequency.** How often did this customer make a purchase in a given period? Customers who purchased once are often more likely to purchase again. Additionally, first time customers may be good targets for follow-up advertising to convert them into more frequent customers.
* **Monetary.** How much money did the customer spend in a given period? Customers who spend a lot of money are more likely to spend money in the future and have a high value to a business.

**Trice RFM Analysis:-** Below is the data, which is derived from RFM analysis on TRICE customers.

| RFM code | Segment | Description | No. of  Customers | Value |
| --- | --- | --- | --- | --- |
| 111 | Best Customers | Bought most recently and most often, and spend the most  No price incentives, new products, and loyalty programs | 273 | 6,11,76,593 |
| 12X  11X | Champions | Bought recently, buy often and spend the most | 1577 | 12,57,85,986 |
| X1X | Loyal Customer | Buy most frequently, Use R and M to further segment | 1909 | 16,01,04,999 |
| XX1 | Big Spenders | Market your most expensive products | 1872 | 11,48,11,545 |
| 444 | Lost Cheap Customers | Last purchased long ago, purchased few, and spent little Don’t spend too much trying to re-acquire | 277 | 33,557 |
| 44X  33X  43X  44X | Hibernating Customers | Last purchase was long back and low number of orders. May be lost | 2558 | 72,04,060 |
| 42X  32X | At Risk | Purchased often but a long time ago. Need to bring them back | 805 | 91,83,931 |
| 41X  31X | Can’t Lose | Used to purchase frequently but haven’t returned for a long time. | 372 | 1,55,69,671 |
| 24X  34X | About to Sleep | Below average recency and frequency. Will lose them if not reactivated. | 657 | 9,65,160 |
| 22X | Customers Needing Attention | Above average recency, frequency and monetary values. May not have bought very recently though. | 591 | 1,26,85,633 |
| 24X | Promising | Recent shoppers, but haven’t spent much. | 234 | 2,55,697 |
| 14X | Recent Customers | Bought most recently, but not often. | 61 | 54,379 |
| 23x  22x  13x  12x | Potential Loyalist | Recent customers with average frequency. | 1922 | 2,72,20,289 |

**Insights:**

* Our loyal customers which includes the best customers-1909 brings the business of 16 cr. Trice as a business would intend to retain the 1909 loyal customer base.
* We also noticed 1834 customers who are “At risk”,”Can’t Lose”,”About to sleep” categories are our major areas to focus as per our research.
* In the recent customer survey conducted we identified that loyalty points are important for customers who are very frequently purchasing apparel and accessories and service app’s. The survey helped us identify the customer preferences and was able to relate to the above data.
* The “customers needing attention”, “promising” provides a potential business of 1.29 cr and TRICE feels the importance of retaining them with more customer support and optimal discounts.
* “Recent customers” and “potential loyalist” in total has about 1980 customers makes us understand the need of anchoring in our platform.
* “Hibernating customers” needs to be activated by giving more preference for targeted advertisements and helping them understand the need of TRICE for them.

**Appendix:-**

We used tableau for deriving the above summarized data.

The below images are self explanatory and the calculations are made in tableau to arrive at the above data.





