

# CRM & RFM

Customer Relationship Management

# Introduction

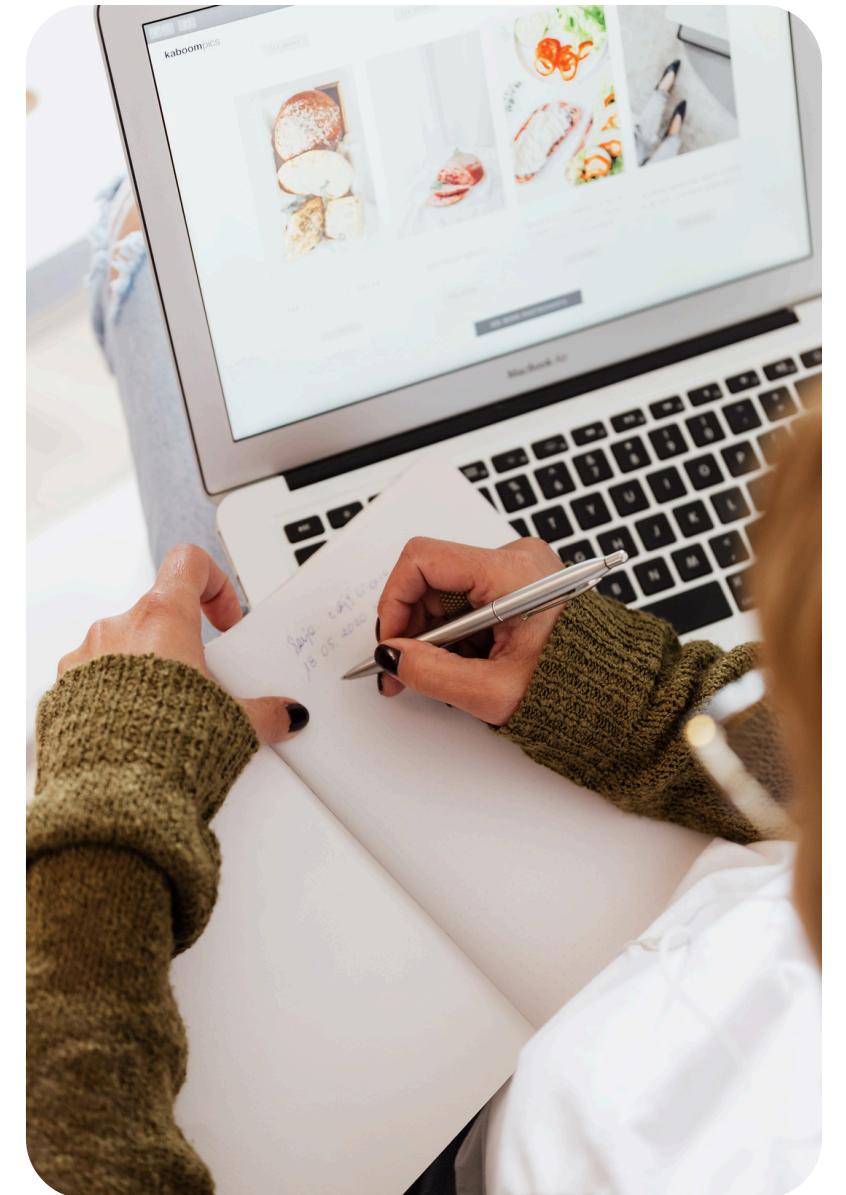
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Customer Relationship Management (CRM) analytics encompasses all the programming that examines customer data and presents it to an organization, aiding in more efficient and informed business decision-making.

Initially developed for large corporations, CRMs are now accessible to small business owners thanks to the internet. Customer data is collected in a CRM database, enabling sophisticated analyses such as customer segmentation and contact history tracking.

# Applications of CRM Analytics

- Customer Segmentation Groups
- Profitability Analysis and Customer Value
- Personalization
- Measuring and Tracking Escalation
- Predictive Modeling



# Customer Segmentation With RFM

## WHAT IS RFM?

RFM is a tool for assessing consumer value, commonly used in database marketing, direct marketing, retail, and professional services.

It stands for the three dimensions:

**Recency:** How recently did the customer purchase?

**Frequency:** How often do they purchase?

**Monetary Value:** How much do they spend?

# Preparation of RFM Metrics



## 1. Recency:

- Definition: The number of days since the customer's last purchase.
- Calculation:  $\text{Recency} = \text{Today's date} - \text{Last purchase}$

## 2. Frequency:

- Definition: The total number of purchases made by the customer within a specific period.
- Calculation: Count of transactions within the period.

## 3. Monetary Value:

- Definition: The total amount of money spent by the customer.
- Calculation: Sum of all transaction values made by the customer.

# How **RFM** is Used?

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## 1. **Customer Segmentation:**

- High-Value Customers: Customers with high scores in all three dimensions are considered valuable.
- Loyal Customers: Customers with high frequency but not necessarily high monetary value.
- At-Risk Customers: Customers with high monetary value but low recency.

## 2. **Targeted Marketing:**

- Tailoring marketing strategies based on RFM scores to improve customer retention and increase sales.
- Sending re-engagement campaigns to customers with low recency scores.

## 3. **Customer Lifetime Value (CLV) Estimation:**

- RFM analysis helps in predicting the future value of customers by understanding their purchasing behavior.

# Some Resources

[RFM analysis](#) [Linkedin](#)

[TechTarget](#)