# CRM & RFM

Customer Relationship Management

Introduction

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
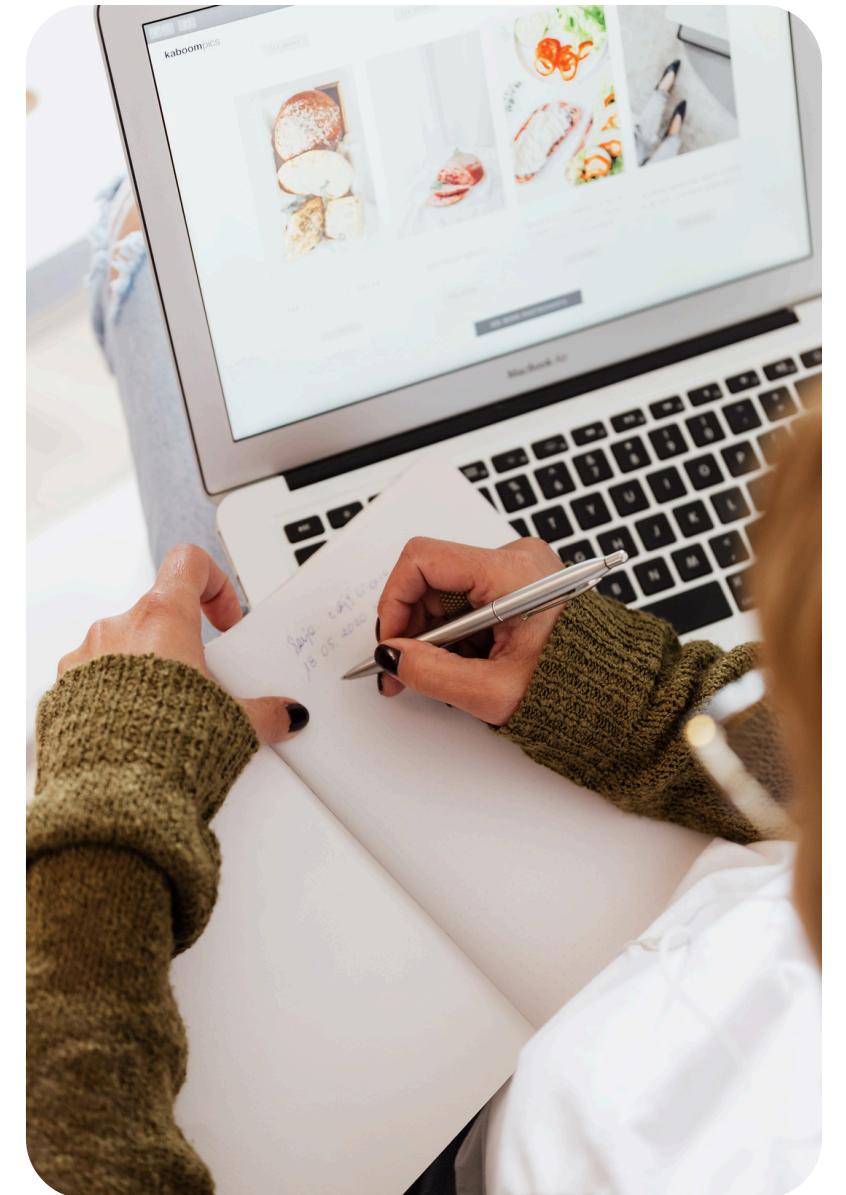
Customer Segmentation With RFM

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: Recency=Today's date−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?

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