didroo

Putting the didrooRFM package to use

U Understand what RFM analysis is all about and how didrooRFM helps you understand customers.

L Learn how to prepare your data for didrooRFM

W Watch the overview video and get comfortable with using the didrooRFM package,

satish181990@gmail.com
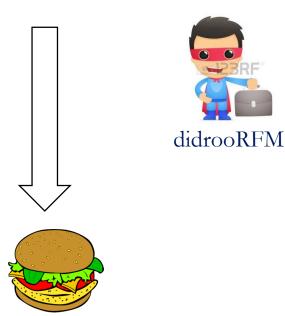
What is this RFM? **Re**cency, Frequency, Monetary **analysis** is a marketing technique used to determine quantitatively which customers are the best ones by examining how recently a customer has purchased (recency), how often they purchase (frequency), and how much the customer spends (monetary).

Your RAW Data

didrooRFM

Aggregate and Analyze

Aggregates data by customer and analyses trends on how Recency, Frequency and Monetary behavior of each customer.

How do we go about doing RFM stuff..

Rank

Ranks customers based on behavior in Recency, Frequency and Monetary attributes,

Consolidate

Consolidate ranks of customer across each attribute and classify customers in to categories.

satish181990@gmail.com

Data Input and Output

What does didrooRFM consume

Attribute	Description
Transaction ID	Unique ID for each transaction
Customer ID	Unique Customer Identifier
Date of Purchase	Date of each transaction **(should be in date format)**
Amount	Amount spent on each transaction

What does didrooRFM give you

Attribute	Description
Individual RFM Scores	Individual ranking on recency frequency and monetary attributes for each customer.
Individual RFM Normalized Scores	Normalized rankings on RFM attributes
Final RFM Score	
Normalized RFM Class	Normalized scores from class-1 to 5 (5 – highest)

satish181990@gmail.com

Summary of Calculations

Aggregate and Analyze

Data is aggregated at a Customer ID Level and the following aggregative measures are calculated. The aggregative measures are calculated for each customer ID.

Attribute	Source Data Information	Aggregative measure
Recency	Date of Transaction	Latest Transaction Date
Frequency	Transaction ID	Number of transactions made by the customer
Monetary	Amount Spend	Total spend per customer

Rank

Customers are then raked by the aggregative measures using their percentile score on a 5 point scale.

Percentile	Score
P > 0.8	5
P > 0.6	4
P > 0.4	3
P > 0.2	2
P<=0.2	1

Consolidate

Based on the weightage assigned to each RFM attribute by the user, the weighted scores are calculated.

Weighted Score = Corresponding Individual Score X Weight per attribute

$$\text{Final RFM Weighted Score} = \frac{\sum_{Att} Wa \times Sa}{\sum Wa}$$

Wa -> Weights to each RFM attributes assigned by user
Sa -> Score for each RFM attribute per customer

satish181990@gmail.com