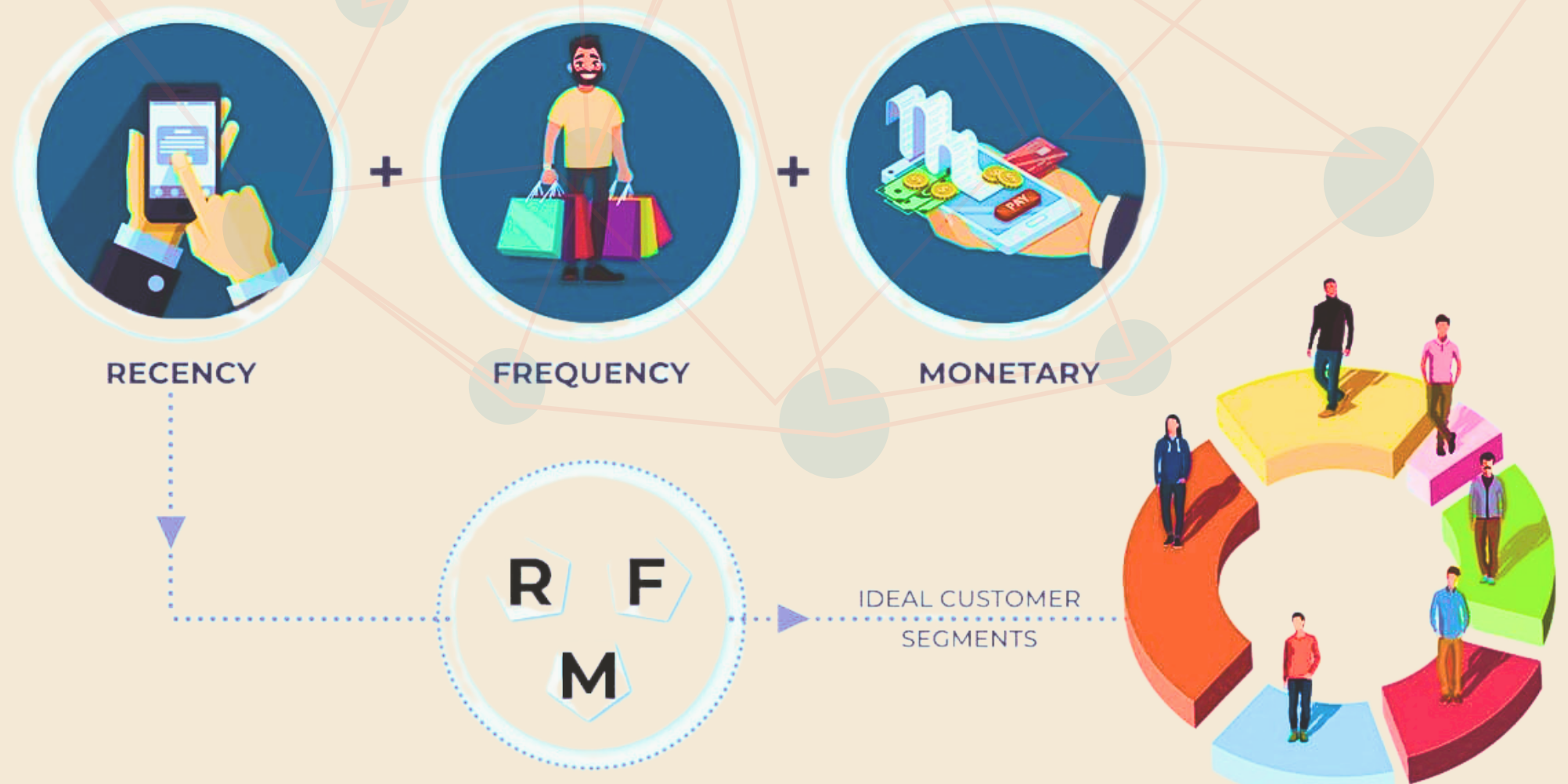


DEVELOPING BUSINESS STRATEGY USING RFM ANALYSIS



BUSINESS PROBLEM

FLO store is putting up a new brand of women's shoes for sale. The new brand of the store is above the general customer preferences. For this reason, it is requested to contact customers in the profile who may be interested in the promotion of the brand and the sale of products. Shoppers from loyal customers (champions, loyal_customers) and women's categories are customers who need to be contacted in particular. The ID numbers of these customers will be forwarded to the sales and marketing department with a CSV file.



FLO



STEP-1

PREPARE DATA

- Remove missing-broken values
- Calculate the total purchase amount for each customer
- Calculate the total transaction for each customer
- Bring the variables for time calculation to the appropriate format

STEP-2

CALCULATE THE RFM METRICS

- Set the analysis date as 2 days after the latest purchase in the dataset
- Calculate “recency” by using the analysis date and the customers’ latest purchase date for each customer
- Save the number of purchases as “frequency” for each customer
- Save the sum of purchases as “monetary” for each customer

STEP-3

CALCULATE RF SCORES AND DEFINE SEGMENTS

- Convert RFM metrics to scores between 1 and 5
- Combine “recency” and “frequency” scores to create RF scores
- Segment RF scores
- Name segments according to a standart RFM table

STEP-4

EXTRACT TARGET CUSTOMERS

- Extract appropriate customer IDs by filtering the segments created through RFM analysis and the existing gender information in the dataset, and send them to the sales and marketing department.

CONCLUSION



By following the steps outlined above, solving any business problem becomes quite straightforward. After determining which type of customers the product will be marketed to, selections are made from the segmented and categorized customer base. This way, each product reaches its appropriate customer, and each customer engages with a product that suits them best.