

How to Unearth Client Value?



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The Spring Festival is the booming season for sales promotion. Faced with limited budget for sales promotion, if you are a marketing manager of a large supermarket, how would you select 200,000 from 600,000 members for direct catalog marketing? Usually, 600,000 members are sorted upon the ranking of consumption and the top 200,000 members are the subjects for catalog marketing. However, the response rate of this method is by no means ideal.

In fact, great importance is often attached to the clients with good consumption capacity. If they receive many promotion catalogs from several sellers, the ratio of uncared-for data turns to be much higher; on the contrary, the clients with lower consumption capacity are less impacted by competitive sellers, so the open rate seems to be higher.

Dig gold via RFM

Besides the sum of consumption, the recent purchases and frequency should be considered as well. R (Recency, the latest purchase), F (Frequency, the purchase frequency) and M (Monetary, the sum of consumption) could be adopted for the sequencing upon importance, which is called RFM analytic approach. As long as you set up the customer database on the transaction clients, from now on you could start to dig the gold mine of client value.

Relatively speaking, RFM analysis lays special emphasis on the analysis of client behaviors: what are the clients doing? Will these behaviors impact their future purchase? Is there any possibility to predict future purchase upon their past behaviors and guide enterprises to do target marketing, etc. Therefore, for both customer management and marketing in B2C and B2B, RFM could effectively instruct enterprises to make more accurate and personalized communication with clients, so as to realize higher response rate and raise income and profits.

Case study

For example, FedEx has made very high profits via RFM. Here, three indexes in RFM are used to divide all the clients into seven groups: 10% clients with the highest contribution rate; growing clients with higher contribution rate; clients with middle contribution rate, who have been lost for the past six months; seasonal clients with low contribution rate; stable clients with middle contribution rate; clients with low contribution rate, who have been lost for the past six months; clients with low contribution rate,

who resume purchasing. Also, each group is subdivided into ten equal parts as per the contribution rate.

In recent years, RFM has been widely used in such fields as manufacturing, telecom service, insurance, banking and catalog marketing. Also, RFM is very useful for both B2B and B2C: RFM helps enterprises to further learn about the clients' behaviors through the dynamic data thereof, so that the clients could be divided into various groups according to different characteristics. Thus, precision marketing could be further made available for each group of clients, so as to achieve high response from the clients. Therefore, RFM is the best tool for enterprises to improve the clients' loyalty, save marketing budget and reduce the loss of customers.

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