

Identification of CLV for Online Shoppers Using RFM Matrix: A Case Based on Features of B2C Architecture

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Abstract : Online Shopping have established an astonishing evolution in the last few years. And it is now apparent that B2C architecture is becoming progressively imperative channel for even traditional brick and mortar type traders as well. In this completion knowing customers and predicting behavior are extremely important. More important, when any customer logs onto the B2C architecture, the traces of their buying patterns can be stored and used for future predictions. Such a prediction is called Customer Lifetime Value (CLV). Earlier, we used Net Present Value to do so, however, it ignores two important aspects of B2C architecture, "market risks" and "big amount of customer data". Now, we use RFM- Recency, Frequency and Monetary Value to estimate the CLV, and as the term exemplifies, market risks, is well sheltered. Big Data Analysis is also roofed in RFM, which gives real exploration of the Big Data and lead to a better estimation for future cash flow from customers. In the present paper, 6 factors (collected from varied sources) are used to determine as to what attracts the customers to the B2C architecture. For these 6 factors, RFM is computed for 3 years (2013, 2014 and 2015) respectively. CLV and Revenue are the two parameters defined using RFM analysis, which gives the clear picture of the future predictions.

Keywords : CLV, RFM, revenue, recency, frequency, monetary value

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