

Using RFM Analytics in your Organization

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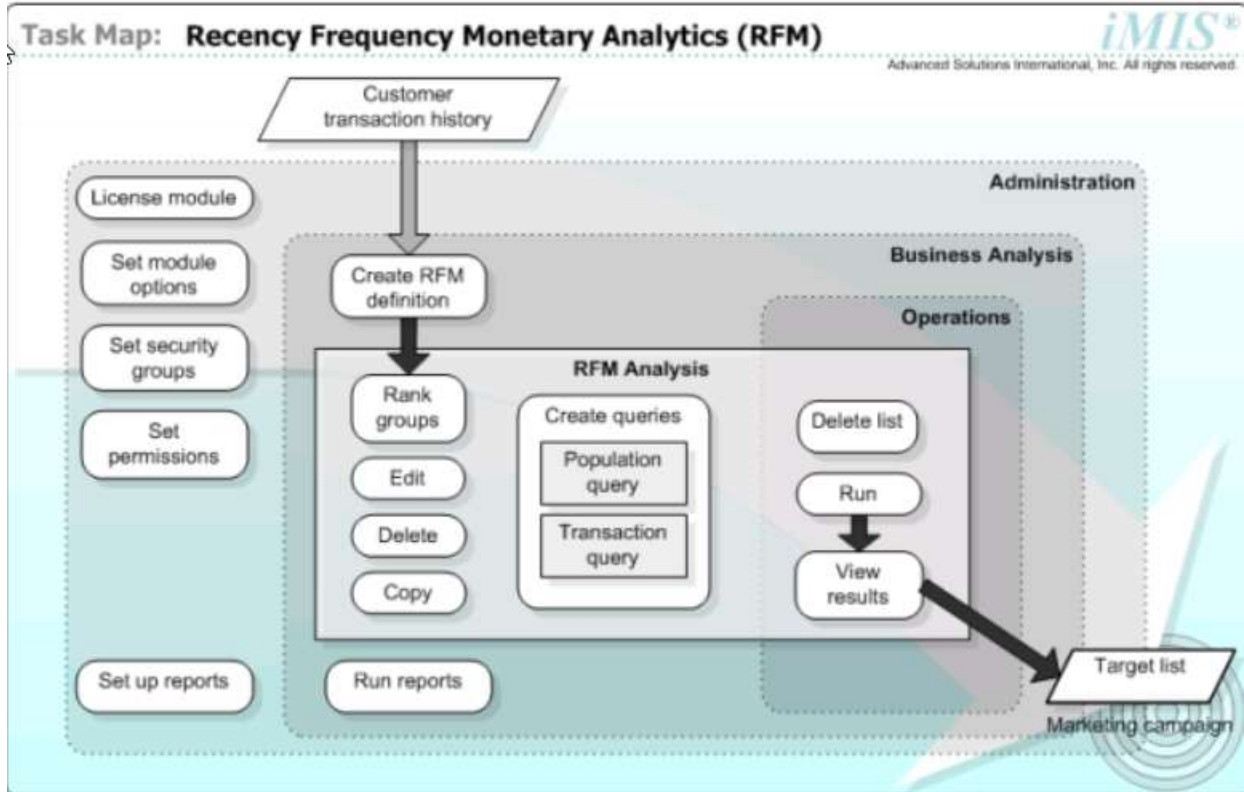
Do you 'know' your donors and members? Are you able to confidently state that you are not asking a \$5 donor for \$500 or a \$500 donor for \$5 when you send your appeals? Are you offering the proper incentives for members to attend your annual conference? Using the tools and techniques of RFM (Recency, Frequency, Monetary) Analytics to segment your database, will help you invite your prospects and donors to make a gift that is within their means, and to a campaign that will pique their interest. Perhaps you may also be able to target certain members & offer a discount if they register for a class or meeting.

RFM Analytics is a tool that provides rankings for your contacts based upon their financial participation with the organization. It is a commonly used tool for fundraising, but its applications are not limited to the fundraising marketplace. Any organization that targets contacts based on past participation on events, engagement, or purchases may benefit from RFM Analytics. RFM may also be used to segment prospects based on input from external sources such as wealth engines, alumni associations, family history, etc. If you can quantify it, you can use RFM.

With RFM Analytics you can:

- ▶ Rank and organize your donor population into specific groups manually or automatically.
- ▶ Define ranking scores for recency, frequency, monetary, combined (calculated), and total (calculated) values.
- ▶ Create groups, such as quintiles, that reflect the relative ranking of donors according to all RFM measurements.
- ▶ Analyse transaction patterns to accurately predict future behavior.
- ▶ Define different donor population and transaction queries to include in each analysis.
- ▶ Use 'n-select' or A-B testing to create test groups.
- ▶ Offer special premiums or incentives to certain segments to encourage participation.

The key to successfully using RFM Analytics in any organization is having the patience to watch how people perform over a long period of time. Remember that anything can impact behavior, and do not react immediately to changes. RFM buckets tend to remain stable.



It is recommended that you create two IQA queries to prepare for RFM. The first is a population query which is the 'universe' of records. This may be everyone who made a gift within the past 5 years, participated in a class within the last 2 years or everyone on a rented list if this is a campaign to reach potential members or donors. For association foundations, this may include engaged members who have never donated to the foundation.

Contact_Query

Define Run Report Group Security

Summary Sources Filters **Display** Sorting

Only display unique results View selected columns ▾

Selected Refresh

Display	Property	Function	Alias	Link	Subtotal	Order	Length
<input checked="" type="checkbox"/>	Company	None ▾			<input type="checkbox"/>	1 ▾	
<input checked="" type="checkbox"/>	Country	None ▾			<input type="checkbox"/>	2 ▾	
<input checked="" type="checkbox"/>	Member Type	None ▾			<input type="checkbox"/>	3 ▾	
<input checked="" type="checkbox"/>	State Province	None ▾			<input type="checkbox"/>	4 ▾	
<input checked="" type="checkbox"/>	City	None ▾			<input type="checkbox"/>	5 ▾	
<input checked="" type="checkbox"/>	iMIS ID	None ▾			<input type="checkbox"/>	6 ▾	
<input checked="" type="checkbox"/>	Full Name	None ▾			<input type="checkbox"/>	7 ▾	
<input checked="" type="checkbox"/>	Is a Company	None ▾			<input type="checkbox"/>	8 ▾	

The next step is to create a transaction query. Make sure the transaction query Includes Quantity, Amount, and Transaction Date. These properties are used for the ranking. You can alias other properties if you wish, such as aliasing 'Date Received' or 'Effective Date' as the Transaction Date. This query contains the specifics for the R, F, and M.

Transaction Query

Advanced mo

Define Run Report Group Security

Summary Sources Filters **Display** Sorting

Only display unique results View selected columns ▾

Selected Refresh

Display	Property	Function	Alias	Link	Subtotal	Order	Length
<input checked="" type="checkbox"/>	CsOrders.Total Charges	None ▾	Amount		<input type="checkbox"/>	1 ▾	
<input checked="" type="checkbox"/>	CsOrders.Total Quantity Ordered	None ▾	Quantity		<input type="checkbox"/>	2 ▾	
<input checked="" type="checkbox"/>	CsOrders.Order Date	None ▾	Transactio		<input type="checkbox"/>	3 ▾	

RFM rankings can be used as the basis for segmentation. Segmentation assists with targeting the market or the segment of the database who is most likely to respond to the marketing effort. For example, if your marketing department is trying to mail the company contact of their best conference attendees, they might look for:

- ▶ Recency going back 5 years
- ▶ Frequency of attendance being greater than ten times attending (because this would imply that at least two attendees from that company attended within those 5 years)
- ▶ Value equal to increments of conference registration because that is the value of their attendance (anyone with a value higher than that might have purchased books at the conference or donated above and beyond the registration fee).
- ▶ You can use the same ranking model against different groups or populations within your database to be able to make predictions and better target who is most likely to respond to a particular marketing effort. The RFM rankings might look the same, but the numbers within each rank can be quite different.

For example, Segment 1 may include those who donated between \$1 & \$10 within the last 12 months but not within the past 90 days. Segment 2 may contain those who gave between \$11 & \$20. Segment 3 may be those who contributed between \$1 and \$10 between 13 & 24 months ago.

Segmentation drives the criteria that will be used to select and segment those donors who will receive your marketing messages. A segmentation job is a set of queries that are run in a specific order and result in the selection of the first occurrence of each matching record.

In iMIS, you may choose to assign records automatically or manually to segments.

For automatic ranking:

RFM Analytics divides the number of groups specified using the following procedure when groups are ranked automatically:

- Sorts lists based on criteria (Recency, Frequency, and Monetary)
- Divides the population equally into the specified number of groups
- Starts at the top of the list and ranks each contact based on the group
- Creates an equal number of contacts for each group:
 - The lowest-numbered group corresponds to the least desirable ranking.
 - The highest-numbered group corresponds to the most desirable ranking.
 - The last group might contain a different number of contacts than the other groups depending on the population and number of groups.
 - Some groups will be empty if the number of contacts is less than the number of groups.
 - Two contacts with the same score might be placed in different groups

For manual ranking:

When defining your manual rankings, you should use higher numbers for more desirable rankings and lower numbers for less desirable rankings to conform to industry standards for RFM rankings.

Recency

The criterion for ranking Recency is based on the last time the individual had contact with the organization. The date used is based on the Transaction Date specified in the Transaction Query. The following example illustrates how Recency is ranked:

- Group 1: >10 days and <=15 days, value = 15
- Group 2: >5 days and <=10 days, value = 10
- Group 3: <=5 days

Frequency

The criterion for ranking Frequency is based on the number of times the individual had contact with the organization. The value is calculated by the number of records for an individual in the Transaction Query. The following example illustrates how Frequency is ranked:

- Group 1: <20 times and >=0 times, value = 0
- Group 2: <30 times and >=20 times, value = 20
- Group 3: <50 times and >=30 times, value = 30
- Group 4: >=50 times, value = 50

Monetary

The criterion for ranking Monetary is based on the amount of money the individual has spent with the organization. The amount is based on the total amount from the Transaction Query. The following example illustrates how Monetary is ranked:

- Group 1: <0 and >=50, value = 50
- Group 2: <50 and >=100, value = 100
- Group 3: <100 and >=200, value = 200
- Group 4: >200 and >=500, value = 500

The screenshot shows a software interface for configuring ranking values. At the top, there are tabs for 'Summary', 'Definition', 'Ranking', and 'Results', with 'Ranking' selected. Below the tabs, there are radio buttons for 'Automatic' and 'Manual', with 'Manual' selected. The main area is titled 'Ranking Values' and is divided into three columns: 'Recency', 'Frequency', and 'Monetary'. Each column contains a list of ranking groups with input fields for values and '+' and 'x' icons for editing.

Recency	Frequency	Monetary
1 15 + x	1 0 + x	1 50 + x
2 10 + x	2 20 + x	2 100 + x
3 5 + x	3 30 + x	3 200 + x
(4) +	(4) +	4 500 + x
		(5) +

Segmentation data is prepared and run before the data is attached to its source code and the final output is generated. This allows for data criteria testing, n-select or dummy selects, or to get counts before the final list is prepared. Because the data can be purged and lists can be run again, you can continue to target your message.

To generate and query RFM results

1. Select **Marketing > RFM > Run analytics** and open the RFM analysis definition.
2. Click **Run**. A status message displays on the Summary tab. If an error message such as "An error has occurred while generating Lists" appears, click on the message to see more details.
3. View the results on the **Results** tab.

To query the results of an RFM analysis

1. Select **Marketing > RFM > Run analytics** and open the RFM analysis definition.
2. You may select contacts using any of the following RFM criteria:
 - Recency ranking
 - Frequency ranking
 - Monetary ranking
 - Combined ranking
 - Total ranking

- First amount
- First amount date
- Last amount
- Last amount date
- Highest amount
- Highest amount date

RFM Results

Define **Run** Report Group Security

◀ ◁ 1 2 3 4 ▶ ▷

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Show all 74

Combined	First Contact	Frequency	Monetary	Recency	Total
11520	11/12/1999	15	20	1	36
191420	9/12/2012	14	20	19	53
91820	10/18/2006	18	20	9	47
10120	11/12/1999	1	20	1	22
160120	9/1/2010	1	20	16	37
60920	1/25/2001	9	20	6	35
40213	2/1/2000	2	13	4	19
50901	1/25/2001	9	1	5	15

You may then send different targeted mailings to records based on the combined or total values. Research has proven that RFM Analytics will significantly improve the net result of a campaign, as opposed to sending the same message to everyone in your 'universe'.