How Amazon got me to open up my wallet - Using RFM at your property for smarter promotions and offers - Part I

Az Husain
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I recently went on a trip to Italy with my family. And in preparation, my wife and I spent some time buying things we needed from Amazon online; new luggage, summer clothes for the kids, guide books, etc. We did this over the course of about two months, amassing a sizable spend with the retailer.

Now, I'll admit it … I love Amazon. They are convenient, have an enormous selection, and their prices are hard to beat. But one of the things I enjoy most about the Amazon customer experience is their ability to recommend products that I would actually purchase. During the course of my buying frenzy, I bought a bunch of stuff that was recommended to me by Amazon because they anticipated my needs.

Amazon has incredibly sophisticated recommendation and promotion algorithms to encourage customer spending. But, in its simplest form, Amazon captures more spend by evaluating a customer's recent activity, the frequency of that activity on the website, and their overall customer value. Sound familiar?

RFM analysis (Recency, Frequency, and Monetary Value) is an effective way to identify engaged customers. It's based on the simple premise that if your customer did something recently and with some frequency, they will likely do it again. And the more likely that a customer repeats a high value activity, the higher their response rate will be when you ask them to perform that activity again.

So let's think about my Amazon experience and how it may apply to casinos. What if you could offer a targeted promotion to your players based on the games they play and the frequency they play them? For example, imagine you have data showing that a valuable segment of your players actually played video poker five times within the last month. You could build a video poker promotion that goes after these players. And since video poker is already top of mind, there is a higher probability that the promotion will be redeemed.

The application of RFM analysis goes beyond gaming. For those of you marketing to the "total customer" – say, one that frequently eats in your restaurant, golfs on your course, or patronizes your spa – applying RFM analysis can really help you anticipate this customer's needs.

Anticipating customer needs by using RFM analysis may seem daunting. You may think that you need special software to do this type of analysis. And although this may be true in certain situations, you already have the tools you need to effectively do this type of analysis. In my next article, I'll show how you can anticipate what your players may want by using RFM analysis with Microsoft tools like Excel, Power Query, and Power BI.

La vita è bella.