

Abstract: Mining Sales Data for Establishing Flexible Customer Clusters

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Abstract

RFM model is an important method in customer clustering. Chiu and Su proposed a fuzzy RFM model to overcome the shortcomings of traditional RFM models. However, there are some problems unsolved in Chiu and Su's approach. To deal with these problems, a fuzzified RFM model is proposed in this study by incorporating the fuzzy c-means approach, which is based on the inherent structure of the data itself. The number of customer clusters can be arbitrarily specified in advance, considering the scarcity of marketing resources and the diversification of marketing strategies. Besides, exploring the content of each customer cluster provides the business with many meaningful suggestions that could be usefully employed to establish target marketing programs. The example in Chiu and Su's study is adopted to demonstrate the application of the proposed methodology and to make some comparisons.