

Table Retention - 9

Retention Equity Computation Using RFM

	Probability of Buying Decision		Probability of Buying Decision		Probability of Buying Decision		Probability of Buying Decision		Final Probability of Path	Number of Purchases After Initial Purchase	Profit for Terminal State	Expected Profit of Terminal State
	Period 1		Period 2		Period 3		Period 4					
Current State	1x0-6	Current State	2x0-6	Current State	3x0-6	Current State	4x0-6					
Purchase Decision	Buy 0.2	Purchase Decision	Buy 0.4	Purchase Decision	Buy 0.5	Purchase Decision	Buy 0.6	0.024	4	\$6,400.00	\$153.60	
						Purchase Decision	No Buy 0.4	0.016	3	\$4,800.00	\$76.80	
				Current State	3x0-6	Current State	3x7-12					
				Purchase Decision	No Buy 0.5	Purchase Decision	Buy 0.35	0.014	3	\$4,800.00	\$67.20	
						Purchase Decision	No Buy 0.65	0.026	2	\$3,200.00	\$83.20	
		Current State	2x0-6	Current State	2x7-12	Current State	3x0-6					
		Purchase Decision	No Buy 0.6	Purchase Decision	Buy 0.25	Purchase Decision	Buy 0.5	0.015	3	\$4,800.00	\$72.00	
						Purchase Decision	No Buy 0.5	0.015	2	\$3,200.00	\$48.00	
				Current State	2x7-12	Current State	2x13-18					
				Purchase Decision	No Buy 0.75	Purchase Decision	Buy 0.15	0.0135	2	\$3,200.00	\$43.20	
						Purchase Decision	No Buy 0.85	0.0765	1	\$1,600.00	\$122.40	
Current State	1x0-6	Current State	1x7-12	Current State	2x0-6	Current State	3x0-6					
Purchase Decision	No Buy 0.8	Purchase Decision	Buy 0.1	Purchase Decision	Buy 0.4	Purchase Decision	Buy 0.5	0.016	3	\$4,800.00	\$76.80	
						Purchase Decision	No Buy 0.5	0.016	2	\$3,200.00	\$51.20	
				Current State	2x0-6	Current State	2x7-12					
				Purchase Decision	No Buy 0.6	Purchase Decision	Buy 0.25	0.012	2	\$3,200.00	\$38.40	
						Purchase Decision	No Buy 0.75	0.036	1	\$1,600.00	\$57.60	
		Current State	1x7-12	Current State	1x13-18	Current State	2x0-6					
		Purchase Decision	No Buy 0.9	Purchase Decision	Buy 0.07	Purchase Decision	Buy 0.4	0.02016	2	\$3,200.00	\$64.51	
						Purchase Decision	No Buy 0.6	0.03024	1	\$1,600.00	\$48.38	
				Current State	1x13-18	Current State	1x19-24					
				Purchase Decision	No Buy 0.93	Purchase Decision	Buy 0.03	0.020088	1	\$1,600.00	\$32.14	
						Purchase Decision	No buy 0.97	0.649512	0	\$0.00	\$0.00	