

# Customer Winback

## How to recapture lost customers and keep them loyal

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### **Customer Winback is critical to your bottom line success.**

Most companies are unaware of the scale of customer defection. Companies that track customer defection rates consider a lost customer as a lost cause. On average, firms can lose up to 40% of their customers every year.

A study by Marketing Metrics uncovered that :

- o Companies have a much better chance of gaining business from former customers than from new prospects.
- o Companies have 60% to 70% chance of selling to its current customers again.
- o Companies have 20% to 40% chance to successfully selling to previous customers.
- o Companies have 5% to 20% chance of turning prospects into customers.

Lost customers is more than decreased profits; it also means low morale among employees and negative word-of-mouth lost customers generate.

The trick is to see customer defection as an opportunity to provide superior and better customer service. By listening to unsatisfied customers and gaining them back you can discover new ways to differentiate your company and to shape a powerful marketing strategy for all your customers.

Key for winning back : knowledge. But which information do you want and need to capture and what are you going to do with the data?

Careful segmentation is necessary to select the most important customers you want to win back.

### **Developing Winback strategies.**

A new mindset from all in the company is necessary is you want to win back customers through a company-wide effort. You have to transform your company into a 'loyalty laboratory' with every employee thinking from the customer's point of view.

Learning to leverage cause-and-effect factors and asking for input on how any new promotion will affect customer loyalty is crucial.

Proper identification of the six major groups of customers is required :

- o Prospects: potential buyers

- o New customers: bought at least once
- o Retained customers: bought more than once and show one of the 5 loyalty patterns
- o At-risk customers: display behavior that indicates relationship is in danger
- o Defectors or lost customers: stopped purchasing
- o Regained customers: returned after an absence

The most common reasons why customers leave are : poor service, poor handling of a complaint, disapproval of changes and feeling taken for granted.

**Customer lifetime value: merging past and anticipated purchases.**

To be successful with a winback program past purchase performance has to be integrated with anticipated future purchase potential.

You have to calculate the lifetime value (LTV) of a customer ( past purchases, acquisition costs, retention costs, future purchase activity, average order size, referral value).

Once a customer has defected, the company needs to find out why he left and then calculate that customer's second life time value (SLTV).

The difference between SLTV and LTV make targeting defected customers more profitable:

- o They are familiar with your products/services
- o You have already information on his preferences
- o You can personally address these customer
- o Period from prospect to customer is likely shorter.

**Strategies for saving a defector.**

*Quick Strategy*

If personally told to you that they are no longer buying from you:

- o Listen and acknowledge their complaint.
- o Don't hide behind your manager or boss.
- o Offer a generous solution.
- o Give the customer options.
- o Be gracious whatever he decides.

If the customer accepts your direct winback solution, analyze what you did was successful and let your colleagues know and record everything in the customer's file.

*Longer-Term Strategy Up Front*

Mostly your customer slips away without direct confrontation. Don't be desperate to regain him, be sportmanlike and leave him with a good impression.

Think from the customer's perspective: he may feel bad at least on an emotional level for dropping your business. Leverage this emotion by playing the second fiddle (make a pitch for even a small portion) or ask for another meeting.

*Choosing the appropriate message, media and frequency.*

Thorough understanding of customer's actual needs is essential for any winback plan.

You have to prove that your offer is better value than the competitor's one.

In your re-approach message five key-points should be included:

- o Acknowledge their past business.

- o Mark improvements and changes.
- o Make it easy to switch back.
- o Sender should be someone the customer knows.
- o Include, if possible, a financial incentive.

The media you are using depends on the customer's preferences.

**Strategies for saving a customer who is about to defect.**

Obvious: you need to know the signs indicating that a customer is thinking of leaving.

The authors give some examples of systems you can use to detect these customers.

Once you have identified these customers you need to apply CPR ( Comprehend, Propose and Respond ).

- o Comprehend: listen to discover what triggered their dissatisfaction. Handle irate customers tactfully and uncover his 'driving' needs (unmet needs that have been festering for a while) before uncovering the 'original' needs (what brought him to your company at the first place)
- o Propose: ask the customer what they need to solve the problem. But also be ready with an hierarchy of offers starting with the non-cost option first.
- o Respond: three scenarios are possible after making an offer/
  - o Agreement.
  - o Tentative agreement. Make another offer.
  - o Disagreement. Don't burn any bridges.

**Satisfied customers aren't always loyal customers.**

Loyalty is becoming commoditized and you need constantly to anticipate the customer's unmet needs and re-create business models to meet emerging needs. There are three levels of customer satisfaction: basic, expected and unanticipated.

You can truly differentiate yourself by providing unanticipated value.

**Make your company defection proof.**

Develop a Customer Information System (CIS) so that information becomes knowledge on how to gain competitive advantage and customer loyalty.

A good CIS starts from clearly identified business needs, the data ton provide the analysis and to select the tools to get the data to the CIS users.

You can collect customer data:

- o With each sale
- o Customer surveys
- o Personal interviews
- o Frontline dialogue

Not only the data are important but also making the right connections.

**Target the right prospects in the first place.**

Discuss first your business model and your target markets to avoid the trap of running into never-satisfied customers. How many customers do you want, how much revenue should each customer generate, define your niche. Decline customers that don't fit in your niche.

**To create loyal customers, start with loyal employees.**

Some customers leave when their favorite account manager leaves ( some studies say this happens in up to 50% of the cases) Staff turnover sends a negative

signal to your customers. Creating cross-functional or cross-trained customer oriented teams can be a base of successful customer loyalty programs.