

# Customer Lifecycle Marketing

## Win Back: The Defectors

Practical Steps

To Cost Effectively

Win Back High Value Customers

Executive Summary

Introduction

Research Findings

Practical Win Back Strategies

Case Study

## Executive Summary

The level of brand switching may be a surprise. Win Back represents a big opportunity.

Consumers have been looking in particular for Better Prices and Value For Money (VFM). Real disposable incomes are falling and this trend is set to continue.

Is there however sufficient margin to improve prices and VFM or sufficient will to improve the customer experience?

29% switched brands in search of Better Customer Service and Better Quality.

A one size fits all approach to win back is unlikely to succeed. There is significant variation in

- the reasons for brand switching
- lost customers attitudes to the brand
- likelihood to repurchase again

ROI can be increased by tailoring and customising Win Back marketing activity. Some segments should be screened out, others warrant significant investment.

There is a link between the reason consumers switched brands and the likelihood to re-purchase. Specific strategies can be developed for The Untouchables, Cold Prospects, Warm Prospects and The Definites.

Consumers seem to take the view companies are more likely to fix Price and VFM issues than Customer Service issues. So it may cost more to win back those who defected because of customer service issues.

Consumers claimed Email is the preferred way of companies getting back in touch with them to persuade them to re-purchase. Direct Mail is the second preferred method. Test marketing campaigns should be carried out to establish ROI of each channel.

It is recommended a systematic Win Back process is followed

- insight
- segment prioritisation
- test marketing
- review, roll out and automation

65% of consumers said they switched to a competitor brand one or more times in the last 12 months

55% said the main reason for brand switching is Better Value For Money or Cheaper Prices... and 29% said Better Quality or Customer Service

14% of marketing spend will be wasted on "The Untouchables"

25% of marketing sent to lost customers will be unwanted

Going back to a lost customer with nothing new to say is unlikely to work

41% would consider returning if price discounts were offered

Email is the preferred communication method for marketing Win Back activity

Separate New Prospect Marketing & Win Back Marketing to avoid overlap

## Introduction

It may be up to 10 times more cost effective to retain a customer than acquire a new customer and given increasing pressure on marketing budgets, we thought it would be a good idea to see how cost effective Win Back campaigns and programmes could be delivered in practice.

Clearly there is a connection between acquisition and retention. Last year's lost customers often become next year's acquisition target, sometimes by accident with little or no consideration being given to the customer's past history with the company. If the marketing function and organisation operates in silos this is more likely.

What proportion of marketing spend is therefore wasted on lost customers that can't be won back?

Are acquisition and retention teams targeting the same lost customers?

Each company will be guided by its own specific set of circumstances and needs to find an optimal balance between acquisition, win back and retention.

This paper looks at identifying some best practice approaches to:

- Getting more from Win Back campaigns
- Joining up and connecting acquisition and retention activity

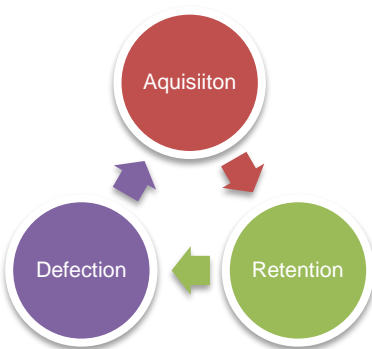


Chart 1

No distinction between lapsed customers and new prospects

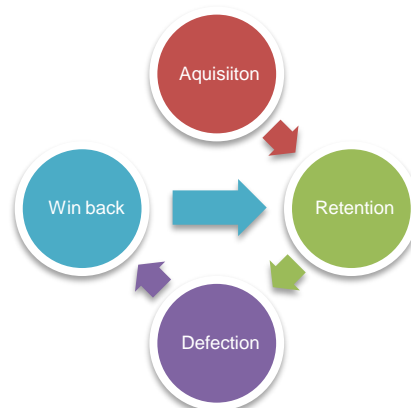


Chart 2

Separate Win Back and New Prospect Acquisition

Acquiring a new customer can cost between 5 and 10 x the cost of keeping an existing customer

(Rob Yanker, Partner, McKinsey & Company 2001)

During 2010/11 CIRRUS Marketing Consulting's own work with clients established in one case, acquiring new customers was around 5 times more expensive than "winning back" existing customers (Best Inactive and Best Lapsed)

What proportion of Win Back marketing spend will be wasted on the lost customers who have already made their mind up to never return?

## Case Study

2010/11 CRM strategy and implementation project multi- channel retailer

### Objectives

To identify the most cost effective ways of growing sales and profit through acquisition and retention trials

### Strategy

Stage 1 RFM customer segmentation and prioritisation

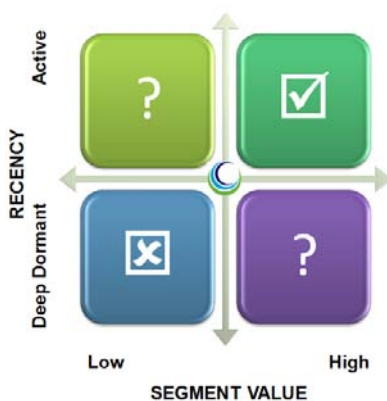


Chart 13

Stage 2 360 degree Insight programme by segment

- Including satisfaction, customer journey performance, competitor performance, market share

Stage 3 Test marketing programmes

- We carried out a series of trials to evaluate the highest ROI combinations of marketing channel and customer segment. We then compared those with comparable New Prospect Acquisition trials.

### Results

Win Back example:

- Channel: Outbound Telemarketing (incentivised)
- Customer Segment : Best Inactive
- New Prospect Segment : Profiled Best Customers
- The reactivation cost per customer was more than 5 times less than the acquisition cost per new customer.
- The reactivation campaign was rolled out and delivered £1m of annualised incremental revenues per month

### CIRRUS Marketing Consulting

- Planning & Strategy
- Insight
- Segmentation
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- CRM
- e-CRM
- Loyalty

- Communications

Please contact us today,  
**CLICK HERE**, for further  
information about

- our consultancy services
- creating and implementing Win Back Strategies
- any questions specific to this white paper
- request a full copy of this white paper

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