

EFFECTIVE RELATIONSHIP MARKETING

Part Three: Retain

Winning Customers
Back Using Today's
EMA Solutions

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Effective Relationship Marketing



This best practice overview is part three of a three-part series highlighting the process of effective relationship marketing enabled by Enterprise Marketing Automation. To receive Part 1: Nurture and Part 2: Grow, visit www.vtrenz.com and subscribe to our relationship marketing newsletter.

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Introduction: Win-Back–The Missed Marketing Opportunity

Relationship Marketing - a marketing method in which businesses consistently maintain two-way communication with their prospective, current and inactive customers in order to gain a deeper understanding of their needs while delivering personal and compelling marketing throughout their lifecycle.

Enterprise Marketing Automation - software solutions designed to enable more effective and efficient marketing through the automation of marketing activities including data management and analytics, creative development and file sharing, and operational execution.

Relationship Marketing Methodology: Marketing as a Process

Nurture - the process of identifying potential customers, initiating the exchange of information and moving consumers or businesses through the buying cycle toward a purchase.

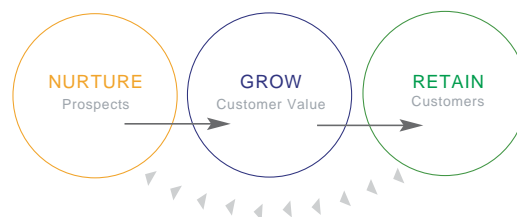
Grow - the process of building more profitable, long-term relationships by encouraging repeat purchases of active customers.

Retain - the process of identifying and winning-back inactive and lost customers by reengaging them with your company, products and services.

Even with the best customer retention strategies in place, it's inevitable that eventually you will lose a customer. Customers leave for many reasons. They may switch to a competitor or simply no longer need the product or service you offer. Or, they may leave because your product or service didn't live up to their expectations. The loss could also come from your own conscious decision if you found that serving a customer was no longer profitable. Surprisingly, however, nearly 70% of customers leave for "no special reason"—there simply wasn't enough loyalty in the relationship to keep the customer using your products or services.

Like most companies, the extent of your win-back initiatives may solely be directed towards large, profitable customers whose loss is especially painful. However, with the average attrition rate for companies between 20-40%, neglecting to include formal win-back strategies in the marketing plan means companies are not just saying good-bye to customers and the associated revenue and market share; they're also losing the goodwill and knowledge needed to improve their products and services for future success.


In the first two parts of this Effective Relationship Marketing whitepaper series, we explored the marketing concepts of Nurture—the process of generating more qualified leads—and Grow—the process of maximizing the value of an existing customer base. This whitepaper explores the third stage of Effective Relationship Marketing—Retain—the process of winning-back lost or inactive customers.



By looking at a set of relationship marketing principals, tactics, and related marketing metrics, this whitepaper will provide you with a comprehensive understanding of the process for identifying and winning-back inactive and lost customers. Using a two-way communication strategy, this process will help reengage inactive and lost customers with your company, products, and services. This whitepaper will also explore best practices for implementing and developing a strategy to win-back customers using Enterprise Marketing Automation (EMA). And finally, a ten question Win-Back Marketing Audit is provided for you to assess your organization's current win-back initiatives.

Win-Back Strategies: Impact on the Bottom Line

Three Reasons Why:

1. Acquiring a new customer is more costly than keeping a current customer.
 2. Customers become more profitable over time.
 3. You're more likely to win-back a lost customer than attract a new one.
- 

Executing marketing strategies to attract new customers and to grow the value of existing customers, as discussed in Part 1: Nurture and Part 2: Grow of this whitepaper series, are important components of a marketing plan and have a definite impact on the success of a business. However, identifying at risk customers or lost customers and implementing win-back marketing initiatives can also have a dramatic impact on the bottom line. In fact, a 10% reduction in lost customers can increase revenue as much as 85%. Here's why:

Acquiring a new customer is more costly than keeping a current customer.

While statistics may vary, there is a clear consensus that it's more expensive to acquire new customers than it is to grow and cultivate the value of existing customers. Prospect marketing tactics alone are an expensive way to grow your business, and existing customer retention strategies aren't always effective. By reengaging customers through win-back strategies, you can maximize the return on the investments you've already made earlier in the customer lifecycle.

Customers become more profitable over time.

Each year that a customer stays with you, the more valuable that customer becomes. Over time, you continually gain the same base profit year to year, but you also gain from less obvious cost savings or revenue driving benefits such as customer referrals, price premiums, increased purchases, and greater efficiency in selling or servicing that customer.

You're more likely to win-back a lost customer than attract a new one.


You're two to three times more likely to sell to an inactive or lost customer than you are to a new prospect. And the benefits of winning-back a lost customer go beyond revenue gains—by reselling to lost customers, you also regain goodwill and minimize the negative word of mouth typically associated with defected customers.

While many companies do not understand the financial impact of losing customers as outlined above, there are two additional reasons why companies don't make win-back strategies a priority in their marketing processes. First, companies often believe that lost customers are dead opportunities. Without taking the time to understand why a customer was lost, companies simply assume that the reason is beyond their control and that it is therefore impossible to attract the customer's business again. However, as mentioned in the introduction, most customers (up to 70%) have no special reason for leaving, and many may be willing to return if simply asked for their business again.

Second, companies don't make win-back initiatives a priority because of pride. Win-back initiatives require listening to customers' feedback, which at times is not pleasant. It may also mean having to admit being wrong. But by putting pride aside, companies can benefit from listening to lost customers—even if they don't win the customer back—by taking advantage of the opportunity to gain specific knowledge which can help to improve their products or services and keep their existing customers satisfied.

Principles for Winning Back Profitable Customers: Nine Golden Rules

Nine Principles for Winning Customers Back

1. Identify At-Risk Customers Early
 2. Evaluate Customer Value
 3. Understand Motivations for Defection
 4. Track the Competition
 5. Improve on the Attributes Most Valued
 6. Leave on a Good Note
 7. Stay in Touch
 8. Ask for Another Chance
 9. Provide a Peace Offering
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In the 1990s, long distance telephone service providers began offering very attractive incentives to entice individuals to switch to their services. They offered even more attractive incentives to win-back customers who they themselves had lost to competitors. While the phone companies understood the need for win-back strategies in order to maintain or grow their market share, most of them were spending a lot of money attracting back not only profitable customers, but also customers that were not profitable. Additionally, most companies didn't take the time to build loyalty with their win-back incentives, only to find that the customers they just spent money on attracting back—switched again.

A few companies learned quickly that attracting all customers back was not the best use of their resources and applied many of the following principals in their win-back initiatives:

Identify At-Risk and Lost Customers Early

It is proven that the earlier you detect lack of use, missed purchase opportunities or dissatisfaction, the better chance you have at reengaging and retaining the customer or restoring satisfaction. A large percentage of lost customers never even started using the product or service in the first place. Therefore, preventative measures such as satisfaction and usage surveys should be deployed with, or shortly after, the initial purchase.

Evaluate Customer Value

Your win-back strategies shouldn't target all lost customers—especially those you may have strategically chosen to stop service to in the first place. Since you have the purchase history for past customers, separate out those that were highly profitable to serve or those with high loyalty based on recency, frequency, and total monetary value (RFM), and let your competitors have those that weren't profitable.

Understand Motivations for Defection

In addition to understanding a customer's value, take time to understand what the customer's motivations were for leaving. Not only will this help you to improve your products and services, it will also help you to determine if you should continue pursuing their business. While some of the reasons customers defect are in fact things you cannot address, much can be gained by tackling those issues you can address.

The reasons customers provide for defecting typically fall into one of the following six areas:

1. Better value available from a competitor, such as lower price, more features, or perceived quality.
2. No longer have a need for the product or service.
3. Unable to conveniently access the product or service, possibly due to a change in the distribution channel.
4. The product or service did not meet expectations.
5. Unable to differentiate the product or service from competitors products and services.
6. Service revoked due to lack of profitability, credit concerns, or other reasons.

Track the Competition

As stated previously, some customers may switch to a competitor's product or service. Understanding the competitive landscape and the reasons your customers selected the competition, will improve your ability to compete in the marketplace. As well, having this information can help you to target lost customers with competitor specific messaging in the future.

Improve on the Attributes Most Valued by Customers

Once you've collected information from customers on their motivations for defection, the next step is to apply that knowledge to your business. The most successful companies are better than their competition at understanding what customers value. To be successful, focus on making improvements to the attributes identified as problem areas by your lost customers. You may find that the attributes valued by customers are not necessarily those most valued by you—and may actually be things that are intangible such as perceived brand quality.

If Losing a Customer is Inevitable, Part on a Good Note

There certainly may be instances in which you determine that you can't compete with a competitive option or meet the expectations presented by the customer. While you never want to lose a customer and may be frustrated or feel betrayed that they have selected a competitive service, remember to be positive and keep the door open for future business. Customers who leave for reasons such as price or perceived quality may find that the competitor really isn't a better fit, and may eventually reengage with your company. In addition, it is likely that their needs will change in the future and that they'll be in the market for a new product or service further down the road. The bottom line is that keeping a professional relationship with lost customers increases the probability that they will seek your product or services in the future.

Stay in Touch

Once you have parted amicably with a customer, continue to communicate with them on a regular basis, even if they have selected a competitive product. Through communications such as electronic newsletters or occasional targeted campaigns, you will retain brand awareness and continue to educate the lost or inactive customer on product enhancements or new service offerings. Again, it is possible that in the future they will have a need for your product or service.

Ask for Another Chance

Simply asking for another chance to service a lost or inactive customer may be enough to reengage the customer. Their reason for leaving may be as simple as forgetting about you. If you know they left because of a mistake your company made, admit to your mistake when asking for another chance. If they were a loyal customer in the past, they may be happy to return.

Provide a Peace Offering...But Make it Sticky

Offers such as discounts, complimentary products or services or other extras might be necessary to win a customer back—especially if the competition is providing incentives as well. However, be sure to provide incentives to customers that will also provide benefits back to your company. Using a loss-leader offer is only valuable if the customer sticks with your products or services for the long run. Stickiness can be accomplished by creating parameters around the offer that lock a customer into using your product or service for a specified timeframe or number of orders. For example, instead of offering a 50% discount off the first order, offer a 10% discount off all purchases for the next year, or offer the discount only if they lock into a multi-year contract.

Marketing Tactics: Strategies for Identifying and Reengaging Lost Customers

Retain Tactics

1. Inactive Customer Survey
 2. Periodic Newsletters
 3. Win-Back Promotions
 4. Welcome-back Campaigns
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With the knowledge of why win-back strategies are critical, and the principles necessary for an effective win-back initiative, the following section outlines the tactical elements of a successful win-back strategy. The relationship marketing process for winning customers back includes four main tactics:

Inactive Customer Survey

Many companies use customer satisfaction surveys as a litmus test for understanding whether or not they are on the right track, and then use that information to drive business improvements. While executing customer satisfaction surveys is certainly important, without also executing inactive or lost customer surveys, companies may not be getting the full picture. After all, with customer satisfaction surveys, information is only being gathered from those satisfied enough to keep using the services; no feedback is being collected from those who have stopped using the product or service because either their needs weren't met or their needs were better met by a competitor. Inactive customer surveys are the most important tactic in a win-back initiative and should be executed at the earliest point the customer is identified to be at-risk or has quit using your products or services.

Periodic Newsletters

Newsletters are an effective method for staying in touch with those that may not use your products or services today, but may find use for them in the future. By sending newsletters that are educational in nature you can help to build your credibility in the industry and increase the value of your brand. Including response mechanisms in your newsletter can make it easy for a lost customer to tell you when they are ready to buy again. Response mechanisms also give you the ability to continually gather more information about why the customer defected and what it would take for them to switch back to your product or service.

Win-Back Promotions


Win-back promotions are an important aspect of your marketing plan. Several recent studies have proven that the likelihood of getting a sale from an inactive customer is 20-40%, which is significantly better than the 5-20% probability of getting a sale from a prospect. With inactive customers, you also have a major informational advantage over the competition—the customer's purchase history. Demonstrate that you know the customer by personalizing the message based on information you know about them such as types of products and services purchased throughout the lifecycle.

Welcome-back Campaign

After winning the customer back, make sure to reemphasize that you appreciate their business, and provide the information they need to be successful this time around. Use this as an opportunity to prove that you've rectified any problems they may have had, as well as emphasize any value that they may not have realized previously. Also, include easy access to a suggestion form or means for expressing concerns, so that you will be able to detect if they become at-risk again.

Win-back Scorecard: Measuring Your Results

Key Customer Marketing Metrics

1. Number of Customers Lost Per Month
 2. Percentage of Customers Lost by Reason
 3. Percentage of Customer Lost by Competitor
 4. Number of Lost Customers Reengaged
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While most companies track their number of new customers to measure the effectiveness of demand generation strategies, few track their number of lost customers in order to measure the effectiveness of customer retention and win-back strategies. Both measurements are important components of your marketing plan. To put together a Win-Back scorecard, include these four measurements:

Number of Customers Lost Per Month

Growing the customer base is critical to gaining market share and growing your business. Businesses can use the number of new customers added in a month as one indicator of business growth. However, just because you are adding new customers, doesn't necessarily mean a growth in your customer base. New customers added should be reported along side the number of customers lost in order to understand the real growth rate of your customer base.

Percentage of Customers Lost by Reason

In addition to tracking the aggregate number of lost customers, companies should track, by percentage, motives for customer defection. Because most businesses tend to lose customers over time, it is good to evaluate the overall motivations for defection on a quarterly basis in order to identify trends. The six motives for defections, as listed on page 7, can provide a starting point for separating the motives into groups. However, you should take the time to tailor these groups to be more specific to your business.

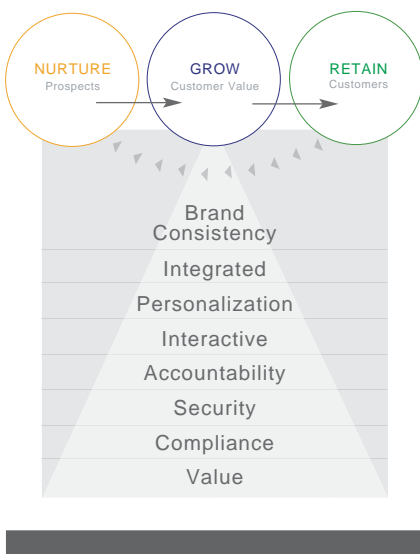
Percentage of Customers Lost by Competitors

As mentioned previously, it's important to understand and track which competitor's product or service your customers are switching to. Creating a breakdown of the top competitors, as a percentage of the whole, that your lost customers have switched to, can help you to identify which competitors are the biggest threats. Knowing more about the competition will also enable you to create specific messaging to win-back your formerly profitable customers.

Number of Lost Customers Reengaged

In addition to understanding how many customers per period are lost, celebrate your success by counting the number of lost customers reengaged. By multiplying this number by the average revenue generated per customer per year and by the average number of years reengaged customers stay with you, you will see the total revenue generated by your win-back initiatives. This can then be used to track your win-back marketing ROI.

Enterprise Marketing Automation: The Role of EMA in Your Business



Many of today's forward-looking organizations are finding Enterprise Marketing Automation (EMA) solutions to be indispensable tools for putting the concepts outlined above into practice. EMA software solutions are designed to enable more effective and efficient marketing by automating such marketing activities as data management and analytics, creative development and file sharing, and operational execution.

Because EMA solutions are designed from the marketer's perspective, they are designed to enable marketers to nurture prospects to generate more qualified leads, grow customers to generate more profitable relationships and win-back or retain customers who may have become inactive or were considering a competitor's solution. In addition, a comprehensive EMA solution will address the business challenges that marketers face every day in their marketing execution, including:

Creating Brand Consistency

While demands on marketing teams increase, centralized marketing resources within companies are decreasing. EMA systems help ensure brand consistency by allowing marketing teams to manage and control marketing assets centrally, while offering others throughout the company the ability to access those assets for easy execution.

Building an Integrated Approach

Integration of data as well as integration in marketing strategy is important to keeping a 360° view of the customer and building synergies across marketing tactics. EMA systems are designed to pull all of your individual marketing tactics together and tie them into a single approach irrespective of communication medium. As well, by connecting them to your CRM system, you can ensure your marketing execution is tied closely to your sales and service view of the customer.

Delivering Personalized Communication

Collecting customer data is fairly easy. Using customer data in order to deliver highly relevant and personalized communications is more challenging. EMA systems can help marketers execute highly personalized communications based on customer needs and attributes at an individual level.

Leveraging Interactive Tools

Interactive mediums give marketers the ability to create efficiencies and enable them to leverage two-way communication channels not possible with traditional mediums. EMA systems are designed to help maximize those efficiencies by providing tools for easily managing email marketing, websites, electronic surveys, microsites and more.

Demonstrating Accountability

With challenging economic conditions and flat to only slightly increasing marketing budgets, marketing professionals are being asked to justify their marketing budgets and are being held accountable by top executives for results. EMA solutions can help marketers access quantifiable results in order to better understand the return on marketing investments (ROMI).

Ensuring Security

No matter what industry you're doing business in today, customers have a zero tolerance for security breaches of their customer information. EMA systems can not only help you build strong privacy practices, but can also help to protect your customer data through the use of the latest security technology.

Complying with Regulation


In recent years, marketing regulation has become something a marketer can't avoid. Marketers are forced to comply with state and federal regulations relating to email marketing (CAN SPAM Act), privacy policies (California Online Privacy Policy Protection Act), and fax transmissions (Telephone Consumer Protection Act)—just to name a few. Many EMA solutions are designed to help reduce your business risk through the automation of processes such as guaranteed opt-outs and built-in compliance measures.

Creating Customer Value

In today's competitive environment, competing on price and product features alone can be dangerous. Therefore, build a relationship that gives you a competitive advantage in serving your customer's needs. By using an EMA system to manage your marketing activities, you can demonstrate an understanding of your customers' needs and create a relationship that has greater value than your products or services alone provide.

iMarketing Automation, an Integrated Solution

Execution in 10 Easy Steps

1. Build Your Database
 2. Segment Your List
 3. Design Your Communication
 4. Build Your Microsite
 5. Include a Survey
 6. Schedule & Send Your Campaign
 7. Follow-up on Leads
 8. Nurture Prospects
 9. Analyze Campaign Results
 10. Repeat the Process
- 

iMarketing Automation—an EMA solution developed by Vtrenz—can help your organization centralize control over the entire marketing process. With iMarketing Automation, your organization can benefit from reduced marketing and customer-acquisition costs, increased revenue per customer and improved customer retention. iMarketing Automation makes executing Relationship Marketing quick and easy:

1. **Build Your Database**—Databases are already set up with standard fields. You simply need to create custom fields specific to your business and import the data you currently store in your accounting, CRM, Microsoft Excel or other solution.
2. **Segment Your List**—iMarketing Automation allows you to narrowly target campaigns and communications based on criteria you define. Build static lists or dynamic lists depending on your marketing needs.
3. **Design Your Communication**— Upload your marketing assets including graphics, documents or rich media files for easy access and brand consistency. Then build your own templates and campaigns in iMarketing Automation with an easy-to-use content editor.
4. **Build Your Microsite**—To ensure customers are guided through the campaign process and content is served up specific to the campaign, microsites including pre-populated response forms can be built and published online.
5. **Include a Survey**—Gather additional information about those who respond and qualify them by incorporating surveys into your campaigns. Include them directly in an email, or add them to a microsite for leads coming from search engines or direct mail campaigns.
6. **Schedule and Send Your Campaign**—You don't even have to be in the office to get a campaign out the door. Your campaign tactics as well as your actual communication drop can be executed using the calendar planning features of iMarketing Automation.
7. **Follow-Up on Leads**—Although iMarketing Automation helps you drive more qualified leads, you still need to close the loop with your sales team. Leads can be dynamically routed via email alerts directly from the response form to your sales team for follow-up and integrated into your CRM or contact management system.
8. **Nurture Prospects Not Ready and Close Sales for Those That Are**—Some prospects will be ready to buy quickly, while others have a longer sales cycle. iMarketing Automation helps you stay in contact with contacts at all stages of the buying cycle and can be used to increase retention and satisfaction of customers once they buy.
9. **Analyze Campaign Results**—Understanding your results is key to justifying future marketing expenses. iMarketing Automation takes the manual work out of compiling campaign statistics. Review your results and then implement changes based on analysis in your next campaign.
10. **Repeat the Process**—By repeating this process over and over using iMarketing Automation, you can ensure that you are maximizing your marketing results by driving more qualified leads, developing more profits from your existing customers, and reengaging customers that have become inactive.

Score

Win-Back Marketing Audit

Review this checklist to see how well your organization is applying the Relationship Marketing principles outlined in this document. A "No" answer to one or more of the questions below may indicate that you're missing out on vital opportunities to win-back lost or inactive customers and increase sales through effective relationship marketing.



1. Does your company currently make win-back strategies a priority within your marketing process? **YES NO**
2. Are you able to easily identify at-risk or lost customers? **YES NO**
3. Do your current customer marketing activities address the nine principles for winning customers back? **YES NO**
4. Do you regularly send newsletters or promotions to inactive customers? **YES NO**
5. Does your company currently execute an inactive customer survey on a regular basis and use the survey results to drive organizational improvements? **YES NO**
6. Do you measure the number of customers you lose annually? **YES NO**
7. Do you know your quit customers' motivations for defection? **YES NO**
8. Do you know which lost customers are most valuable to win-back? **YES NO**
9. Are you maximizing your marketing efficiency using a single marketing automation solution? **YES NO**
10. Have you evaluated how iMarketing Automation can help you reduce marketing and customer acquisition costs, increase revenue per customer and improve customer retention? **YES NO**

Vtrenz Company Overview

Vtrenz is a marketing application solutions provider (ASP) focused on helping companies manage their relationship marketing process. Utilizing a talented team of designers, internet specialists, programmers, project managers and marketing strategists, Vtrenz helps clients develop and implement innovative marketing programs utilizing technology solutions. Our creativity and marketing knowledge, coupled with our technical expertise, allows us to provide leading-edge marketing solutions including websites, e-commerce, and marketing automation.

Vtrenz is the developer of iMarketing Automation, an Enterprise Marketing Automation solution that allows businesses to execute relationship marketing strategies by easily building marketing assets, executing marketing plans and continuously measuring and improving results.

To learn more about our Relationship Marketing Methodology and Enterprise Marketing Automation Solution, iMarketing Automation, visit our website at www.vtrenz.com, email marketing@vtrenz.com or call us toll free at 877-484-7704.

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