



***SPECIAL REPORT***

**The State of Customer Win-back:**

**The How's and Why's Behind This  
Untapped Corporate Competency**

# The State of Customer Win-back:

## The How's and Why's Behind This Untapped Corporate Competency

By Jill Griffin, Griffin Group

My book, *Customer Winback* (co-authored with Michael Lowenstein) was based on this thesis:

*To remain in business, every firm must successfully acquire, keep and grow customers. And if a high value customer defects, the firm needs a proven process for winning the customer back.*

*Surprisingly, most companies have little or no win-back capability. Why? Because the typical firm considers the lost customer a lost cause when, in fact, winning back lost customers can be a rich source of renewed revenue for any company.*

Griffin Group's 1999 customer win-back survey, conducted as part of our win-back book research, found the average firm doing little in the way of instigating win-back programs or managing customer loss. Fast-forward to 2007, and the state of customer defection management in today's corporation. Are firms now better equipped to recapture and leverage lost customers? This article will share highlights from the **Griffin Group/ CustomerSat** "2007 Win-back and Loss Study" and examine the troubled state of lost customer policies, programs and monitoring systems in corporations.

### Customer Management's Seven Year Plague

'Bad and getting worse' is the current state of customer defection management inside most firms. That's the over-arching finding from our 2007 survey of over 500 sales, marketing and corporate buying executives performed in April, and conducted in cooperation with research firm CustomerSat ([www.customersat.com](http://www.customersat.com)). Both business-to-business and business-to-consumer executives were surveyed from a cross-section of industries including insurance, banking and other financial services, manufacturing, electronics, technology, professional services, healthcare, telecommunications and pharmaceuticals

What's driving these new, dismal findings? And why have firms, at best, stayed in neutral or, at worst, regressed, in regard to improvements in customer defection and win-back management since our previous study? Answer: Three key influences. Since 2000, three market trends, converged together, have created a "seven-year-plague" of sorts regarding customer management: (1) the mergers and acquisitions wave, (2) an increase of customer resellers and (3) the proliferation of customer contact channels, have collectively left even more customers unattended to since the 1999 survey. But, the root of customer mismanagement goes even deeper. Disconnected customer information silos and an emphasis on acquisition over retention have haunted corporations for years. So, it's understandable that our latest survey finds firms even less equipped today, than ever before, to manage customer loss.

### Comparative Findings: 2007 vs. 1999

- *"Do you know how many customers you lose per year?"*

Marketing executives in both surveys responded generally the same (44% (2007) vs. 48% (1999)) to this question. Yet, a noted increase was reported among sales executives in the newest survey versus

the earlier (41% vs. 30%). **(See Exhibit I.)** Why the drop among sales executives? Any or all of the “Seven Year Plague” influences noted above could be responsible. Bottom line, it is a sad testament to the state of customer management that just under half of the respondents in both groups were unaware of their annual customer losses.

**Exhibit I**



- *“Does your company have a process for identifying customers at high risk of defection?”*

Almost two-thirds (69%) of sales executives in both the 1999 and the 2007 surveys reported no process for identifying high risk customers. **(See Exhibit II.)** Moreover, marketing executives reported an increase in this deficiency versus the previous survey (65% vs. 56%). Clearly, firms have made no gains in the provision of customer intelligence to flag customers highly vulnerable to defection.

Exhibit II



- *“Do you have a process for determining which competitor got a customer you lost?”*

Perhaps customer management erosion, since the previous survey, was most evident in this question. The percentage of respondents reporting no process for determining which competitor got the lost customer, more than doubled in both groups of executives versus the earlier survey. **(See Exhibit III.)** For marketing executives surveyed in 2007, a whopping 66% reported no process compared to 30% in 1999. Likewise, for sales executives 53% reported no process, a huge increase versus the 20% reported in 1999. Nowhere in the survey results are the effects of the three trends noted earlier (mergers and acquisitions, proliferation of contact channels, increase in customer resellers) more felt. Bottom line, the growing complexities of customer management have created big intelligence gaps in many firms.

### Exhibit III



## New Query Learning

A number of new query areas regarding customer loss and win-back were added to the 2007 survey. Learning highlights are as follows:

- **Remedial win-back efforts are missing.**

The majority of buyers reported their dismissed suppliers made no attempt to win them back. Only 25% reported the dismissed supplier offered an apology and only 14% of buyers said dismissed suppliers adopted a keep-in-touch strategy with them. These two actions---making an apology and staying in touch—are essential steps to recovering lost business. Yet, the data clearly shows that once an account is lost, most fired firms do not pursue the win-back opportunity.

- **Win-back strategies are more relevant than ever.**

More than half of buyers surveyed (62% of respondents) who fired a key supplier reported choosing a replacement supplier that offered basically the same product or service. This finding indicates that the lost account’s needs remain basically the same and, theoretically, could still be filled by the dismissed supplier. This spells win-back opportunity, and makes the absence of win-back efforts from fired suppliers (see previous bullet point) even more short-sighted.

- **Reason for customer loss must be factored into win-back strategy.**

'Non-competitive pricing' was referenced as the key factor contributing to customer loss for 44% of buyers and 46% of sellers. Losing a customer on price often signals that the dismissed supplier's value proposition has grown stale and needs a boost. To win back the customer without caving on price, customer value issues must be uncovered and carefully addressed.

- **Competitors are using increasingly aggressive tactics to woo new customers away.**

In many industries, such as retail banking, firms have long relied on the 'hook principle' to retain customers. For example, direct deposits of social security and pension checks and automatic monthly withdrawals for insurance, telephone and utility bills have long kept customers tied to a bank when they would just as soon leave. Customers felt the red tape required to change banks was a big pain in the neck, hardly worth the trouble. But our 2007 survey findings suggest competitors are wising up and sweetening their new customer offerings with switching assistance. For example, among marketing and sales executives surveyed, 51% reported using incentives for switching (fee waivers or welcome gifts). Forty-four percent reported helping customers fill out paperwork required for switching accounts and 30% reported the use of switch kits that clarify steps customers can follow to move the account. Both business-to-business and business-to-consumer marketing and sales executives reported using switching tools to woo customers away from competition.

- **Firms lack customer focus when targeting operational improvements.**

Is customer intelligence driving most firms' operational improvement priorities? Survey findings say no. When making operational improvement decisions, over half (57%) of marketing executives and 50% of sales executives reported using internal factors or no formal process at all to identify problem areas and prioritize improvement efforts. Translation? In half or more of the firms surveyed, what's right for the customer took a backseat to other decision-making influences such as departmental lobbying, squeaky-wheel dynamics and management "gut feel". Little wonder the customer experience provided by many firms continues to disappoint.

- **Vast majority of executives concur: Customer loyalty is as relevant as ever.**

Is customer loyalty dead? Respondents overwhelmingly said no. A resounding 95% of sellers and 92% of buyers surveyed believe customer loyalty is as relevant a concept in today's business world as ever before. Firms show no sign of abandoning loyalty initiatives. As such, customer win-back strategies should be an integral part of every firm's arsenal of loyalty tools.

## **The Time for Win-back is Now**

What's the state of customer win-back and lost customer management in your firm? How does your company compare to the survey findings examined in this paper? Here's an easy 'reality check' to start your investigation: Simply answer the three questions highlighted in the "Comparative Findings" section of this paper and compare your answers to the survey findings provided. If you answered "yes" to all three, consider your firm ahead of most. But your work is far from complete. Your next charge is looking for new, better ways to leverage the information you have for higher, year-to-year retention rates.

Were some, or all, of your answers "no"? Take heart, your firm is in the majority and opportunity awaits! But don't delay. The only thing worse than losing high-value customers is neglecting the opportunity to win them back. The time to start is now.

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### **About Jill Griffin**

Jill Griffin's clients call her The Loyalty Maker® for good reason. Since 1988, she has led the Austin-based Griffin Group, helping firms around the globe build fiercely loyal customers. Clients served include Microsoft, Dell, Toyota, Marriott, Hewlett-Packard, Wells Fargo, Western Union and Subaru.

Jill's newest book, *Taming the Search-and-Switch Customer: Earning Customer Loyalty in a Compulsion-to-Compare World*, will hit bookstores April 2009. Her book *Customer Loyalty: How to Earn It, How to Keep It* was named to Harvard Business School's "Working Knowledge" list and has been published in six languages. Jill's co-authored book, *Customer Winback*, earned Soundview Executive Book Summaries' "Best Books" award.

Since 2003, Jill has served on the Board of Directors for restaurant chain Luby's Incorporated, a New York Stock Exchange company with 129 locations and 7,000+ employees. She has served on the marketing faculty at the University of Texas McCombs School of Business. Her books have been adopted as textbooks for MBA and undergraduate customer management courses taught at UT and other universities. Jill is a Magna Cum Laude graduate and Distinguished Alumna recipient of the University of South Carolina Moore School of Business from which she holds her MBA.

Want to stay current on loyalty strategies? Sign up for Jill's Loyalty Tip-of-the-Month at [www.loyaltysolutions.com](http://www.loyaltysolutions.com).

### **About CustomerSat, Inc.**

CustomerSat is the leading provider of enterprise solutions for measuring, analyzing, and managing enterprise-wide action based on customer satisfaction and loyalty feedback. With advanced technologies and proven market research techniques, CustomerSat delivers feedback solutions for service and support, sales and marketing, HR, channel and partner management, IT, website operations and e-commerce, supply chain management and investor relations. CustomerSat is headquartered in Mountain View, California, with offices in Europe. For news, product demonstrations and other company information, visit [www.CustomerSat.com](http://www.CustomerSat.com) or call 1.800.372.7772.