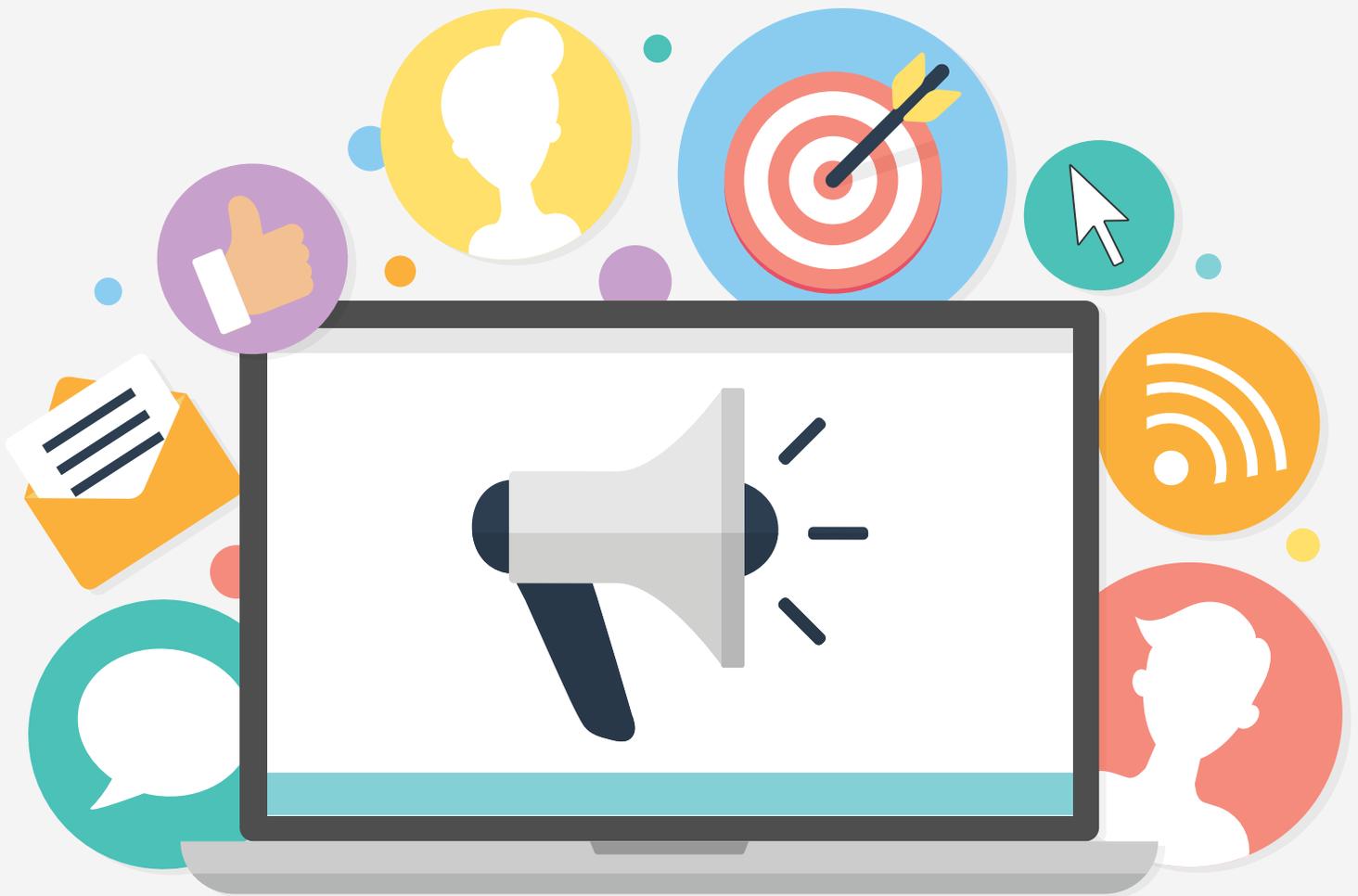


How to Reactivate Dormant Customers

By Ruth P. Stevens



As marketing advances, most professionals are well aware by now of the importance of retention and reactivation in optimizing the value of the customer base. The facts are clear: We know that it costs far less to reactivate a dormant customer than to acquire an entirely new one; we know that recent activity is a powerful indicator of customer lifetime value; and we know that investments in retention marketing deliver the highest ROI of any strategy.

But some marketers may still be missing out on some of today's best practices in reactivation marketing. Read on for a review of the strategies and tactics that are most effective in stimulating a renewed relationship with your dormant customers and reducing customer defection and churn.

Reactivation marketing applies to all kinds of product and services categories, from consumer to business markets. The tactics and tools have been developed and refined to an art in the area of subscriptions and replenishment types of marketing. Let us learn from the trailblazers.

The Business Case for Retention Marketing

If you need backup to justify your investment in customer reactivation, here are some useful stats:

A 5-point decrease in defections

can lift per-customer profit by **25% to 85%**



(Reichheld, The Loyalty Effect)

It is **4.8** times cheaper



Retaining an additional **2%** of customers has the same effect as



cutting costs **10%**



(Davidow & Malone, The Virtual Corporation)

to sell to a pre-existing inquirer than to generate a new lead

(Aberdeen Group research)

The First Step to Success: Develop a Strategy

Reactivation can be viewed as a subset of retention marketing. If a customer has stopped interacting with you, this is very likely an early indicator of upcoming customer loss, or defection. So, it's essential to identify the signals early, and set up intervention activity to prevent the customer from moving further away.

Before you can plan your best intervention tactics, you need to develop answers to several key questions:

1. How are you going to determine the definition of inactivity in your business?

For many, the end result of inactivity is known as "churn." The churn rate is derived from dividing the number of customers lost in the period by the number of customers you had at the beginning of the period. But the path to purchase differs with each business. Buying a new car is very different from replenishing your supply of moisturizer. This means identifying the interim metrics that you need to keep an eye on. A car dealer may look at oil changes as an indicator of engagement. A department store will look at such indicators as product purchase frequency and timing, with interim metrics like email open and click through rates.

2. What are the reasons for customer dormancy?

It may be that your customers had a problem with your product or service. In which case, you must strive to fix the problem. It may be that they no longer need what you offer. In which case, you need to determine whether there is another way to serve them profitably. Or it may be that they have left you for a competitor. If this is the case, you must institute a winback effort. There are many possible reasons. A quick survey by email or phone will help you identify them. Different reasons may require different strategic approaches to reactivation.

3. Is the customer worth reactivating?

Some customers simply cannot be served profitably. For them, it may be a better strategy to let go instead of investing more in re-engagement. Thus, an assessment of the projected customer value will help you determine the appropriate amount of reactivation investment, if any.

4. How will you know success when you see it?

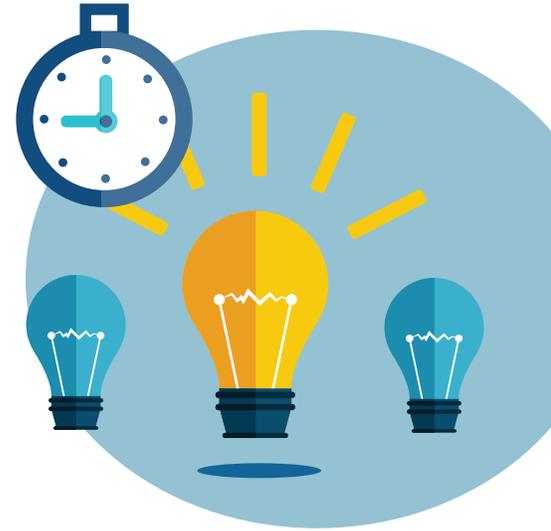
For many companies, reactivation is measured by conversion to repurchase. A useful metric is the winback rate, calculated as the number of reactivated customers divided by the number of inactives at the beginning of the period. For your business, the success metric may be something different. The point is to identify the most appropriate metric in advance, and track the results of your reactivation program over time.

Ten Tactics and Tools for Reactivation

With that groundwork laid, you can begin planning your reactivation activity. Consider the following tactics for their applicability to your business, your customers, and your objectives.

1

Move quickly. The longer a customer is inactive, the more likely an eventual defection. Early action is arguably the single most effective reactivation technique. But, you can take this principal a step further by examining customer behavior patterns to predict inactivity before it even starts. For example, if purchase frequency slows, or order size shrinks, inactivity is likely to follow. Examine the characteristics of your purchase cycle. Anomalies in a particular customer's behavior may indicate a problem that, with early intervention, can be addressed.



2

Segment your dormant customers, and treat them differently.

As marketers well know, different customers have different needs, and represent different levels of value to the firm. Applying segmentation is a key success factor in the reactivation effort, just as it is elsewhere in marketing. Consider such segmentation variables as:

- Original acquisition source media, like email, SEM, direct mail, display advertising, event, or telemarketing.
- Channel usage. This can be communications channels like email or telephone. Or it can be purchase channel preferences, like retail store, tablet, mobile, or desktop computer.
- Product usage.
- Customer value, using indicators like RFM, cumulative margins, or intent signals.
- Inactivity length, typically divided by months or years, depending on the purchase cycle in your business.

3

Deepen your understanding of the dormant customer. There are a number of approaches you can take, among them:

1. Analyze behavioral patterns, looking for insights. For example, you may notice that an unusually large order is followed by a period of inactivity, and hypothesize that the customer is not getting ready to leave—she just has all the product she needs for a while.
2. Use data append to gather more information about the customer. Your database marketing partner can add data points to your customer record that will suggest effective reactivation strategies. Demographic, lifestyle and attitudinal data can be especially revealing.
3. Consider some research, using an outbound telephone call, or a focus group, to gain additional insights into the reasons for the inactivity.



4

Communicate through different channels.

Thanks to marketing automation, email communications have become very easy to deploy, and there's no question that email is effective for current customer communications. But relying entirely on email may annoy lapsed customers, and leave you exposed to possible spam traps. So don't forget the other options available—telephone, postal mail, mobile, retargeted display advertising, social media, your website—and add them to the mix to broaden your reach and keep your customers interested in your messaging. If your customer records are incomplete, ask your database marketing partner to append additional elements to allow communications through these other channels.



5

Use proven offers. Once you've determined that the inactivity is not a customer service problem, then the essential tool for reactivation is a motivational offer. Discounts are widely used by marketers today—because they work. But consider additional offers that have proven to be effective in reactivation marketing, such as:

1. **Upgrades.** If they last bought an ordinary product, offer them a superior version.
2. **Special service levels.** Invite them into a special class of customers. Status and privilege go a long way to attracting a lapsed customer.
3. **Affinity products.** Cross offer a product related to a prior purchase. A carrying case for that laptop, for example.
4. **Lifecycle stage.** Look at where the customer is on the lifecycle continuum. A new customer will respond to a different offer than one that attracts a longstanding customer. A birthday or anniversary message works wonders.

6

Optimize your reactivation program with testing. Testing can be applied at many points to improve results. Split-test new offer ideas. Test creative, personalization, the cadence of your touches, timing, media channel, as well as refinements like email subject line and “from line.” Once the customer is reactivated, test to find the optimal the cadence and frequency of ongoing communications that will keep them engaged. In short, without testing, you'll never know the full potential of your reactivation effort.



7

Clean up your data. Consumer and business data degrade fast. A maniacal focus on data hygiene will pay off in all areas of customer management, especially in retention and reactivation. If your customer's email address has changed, you need to keep up. In fact, in some cases an address change may underlie the apparent inactivity in the first place. Your database marketing partner can help you keep your customer records up to date. Quarterly refresh is recommended.

Looking for a database marketing partner? Consider Infogroup.

Infogroup has been helping clients reactivate their dormant customers for over 45 years. A full-service data solutions company, Infogroup is dedicated to the proposition that strategic use of customer and prospect information is the secret weapon in marketing today.

As an original data creator, Infogroup is able to access transactional, behavioral and demographic data on over 120 million households in the U.S. The data is enhanced by modeling capabilities to improve prospecting, renewal and reactivation efforts. With smart modeling, Infogroup clients can go beyond mere segmentation to reactivate deeper lapsed customers. Infogroup is also expert in helping clients integrate reactivation into their acquisition programs.

For a free consultation on your reactivation issues, call 1.800.223.2194 or email infogroupmediasolutions@infogroup.com today.

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Infogroup Media Solutions empowers business, consumer, and nonprofit marketing professionals. Through our innovative data sets, media management, analytics, brokerage services and marketing solutions, we help lower the cost to acquire new revenue and hold on to current customers.

For more information on our data-driven solutions

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