

Yes, AT&T, it pays to win back lost customers

July 7 2015

The competition for customers in the service sector is fierce, and new customers are entering the market all the time. So when a company such as Time Warner, Travelocity, or AT&T loses a customer, is it worth it to try to win that customer back? Yes, says a new study in the *Journal of Marketing*.

"Our results show that lost customers, if won back, can be profitable to a [company](#) and that so-called win-back initiatives are worth the time and effort," write V. Kumar (Georgia State University), Yashoda Bhagwat , and Xi (Alan) Zhang (both Georgia State University). "In particular, customers who leave because they were unhappy with the service provided—as opposed to, say, the prices being charged—and who are won back with a service upgrade can be good for a company's bottom line."

The study examines the interplay of a mix of issues involved in regaining lost customers. It looks at the relationship between three things—(1) the lost customer's experiences and behaviors with a [service provider](#) the first time around, (2) the reason why the customer left for another service provider, and (3) the kind of "win-back" offer made to the customer—to three outcomes: the likelihood that the customer will give the service provider another try, the length of time that that customer will remain with the first provider again, and the effect of that regained customer on the provider's profits. The data come from a US-based [telecommunications company](#) and cover eight years, from 2006 to 2014.

The results show that a lost customer's initial trust and commitment to the telecommunications provider influence the chances that he or she can be won back by the company. For example, if consumers made a habit of recommending the company during their first experience with the company, they were more likely to accept a win-back offer. Also, if the company was good about fixing problems during the customer's first experience, it is more likely to win back that customer. A win-back offer that includes both a discount and a service upgrade is the most effective in regaining lost customers.

"Customer win-back initiatives should definitely be regarded as an important strategy for service companies to use," the authors write.

"Even customers who left for price-related reasons are worth winning back. They may not be as profitable as customers who left for service-related reasons, but once they are won back, they tend to stay with the company longer."

More information: V. Kumar, Yashoda Bhagwat, and Xi (Alan) Zhang. "Regaining 'Lost' Customers: The Predictive Power of First-Lifetime Behavior, the Reason for Defection, and the Nature of the Win-Back Offer." Forthcoming in the Journal of Marketing.

Provided by American Marketing Association

Citation: Yes, AT&T, it pays to win back lost customers (2015, July 7) retrieved 3 April 2024 from <https://phys.org/news/2015-07-att-lost-customers.html>

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