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It ain't over 'til it's over: Evaluating reacquisition opportunities in business-to-business markets ☆

Mark P. Leach [a,1], Annie H. Liu [b,*]

[a] Department of Marketing and Business Law, Loyola Marymount University, 1 LMU Drive, Los Angeles, CA 90045, United States
[b] School of Marketing and International Business, Victoria University of Wellington, P.O. Box 600, Wellington 6012, New Zealand

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ABSTRACT

Using a qualitative critical incident research technique, this paper examines how sales firms evaluate defected customers in order to determine their worthiness for reacquisition. Findings from interviews with fifty professional salespeople suggest that, when sales firms assess reacquisition opportunities, these opportunities are evaluated based on the likelihood of reacquisition and the value of the customer (i.e., ease of reacquisition and value of the customer). Salespeople report that the barriers to reacquisition, leveraging remaining customer relationship and investigating their own value-adding capabilities are critical in determining the ease of reacquisition. In addition, salespeople report that account size, profitability, market influence and cross-selling potential are fundamental in determining the value of a customer. Furthermore, the importance of ease and value in reacquisition assessments varies with (1) the reason for the customer defection, (2) the formalization of a firm's reacquisition process, and (3) market opportunities. Managerial implications and future research directions are discussed.

1. Introduction

Salespeople constantly search for opportunities to gain, retain, and grow business opportunities for their organizations. No matter how effective a company's sales process or customer relationship management (CRM) program is, inevitably, some customers will defect and switch to alternative suppliers. Although there are well established sales processes guiding salespeople to acquire new accounts and to maintain customer relationships, scant literature and processes are in place to guide salespeople to reacquire lost accounts. More important still, no sales research has examined customer reacquisition strategies or has developed a systematic framework to help train salespeople to thoroughly evaluate reacquisition opportunities. Left unguided, salespeople can often ignore a valuable lost account, seek unsound advice, or reapproach lost accounts that are unwinnable or not worth their efforts.

When customers defect, they may leave behind a wealth of transaction specific information, including transaction history, preferences, motives and evidence of what prompted their defection. Strategic leveraging of customer relationship portfolios will facilitate an effective and efficient reacquisition evaluation (Thomas, Blatiberg, & Fox, 2004), and help design attractive reacquisition offers. Furthermore, by reacquiring lost customers with the right reacquisition strategy, salespeople may be able to communicate to the customer the importance of their relationship, form stronger bonds with these customers, and redevelop highly profitable exchange relations with these buying firms. A well-designed reacquisition program may also help sales organizations and the sales force better understand their market and competitive position. For these reasons and more, a comprehensive reacquisition sales program should be properly integrated into companies' sales process and established as the strategic second half of CRM (Liu, Wang, & Leach, 2012; Stauss & Friege, 1999).

Research suggests that a comprehensive reacquisition sales process can be separated into three distinct stages (see Fig. 1). A first stage consists of the process of identifying lost customers. For a reacquisition process to be effective, sales firms must have the right tools in place to identify when customers are subtlety switching versus requiring different or fewer products (Akerlund, 2005; Liu, 2006). The second stage comprises the process by which reacquisition opportunities are evaluated to determine if and when the lost customer should be targeted for reacquisition efforts (Thomas et al., 2004). The third stage is the process of developing and executing reacquisition strategies and offerings (Stauss & Friege, 1999). Each of these stages is important to a comprehensive reacquisition sales process and is critical for the successful reacquisition of a lost customer. However, the specific purpose of this research is to gain further insight into the second stage in this process to better understand how lost customers can be evaluated for reacquisition efforts and what motivates salespeople to attempt reacquiring a lost customer.

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* Corresponding author. Tel.: +64 4 463 5431; fax: +64 4 463 5231.
E-mail addresses: mleach@lmu.edu (M.P. Leach), drahliu@gmail.com (A.H. Liu).
[1] Tel.: +1 310 338 1896.

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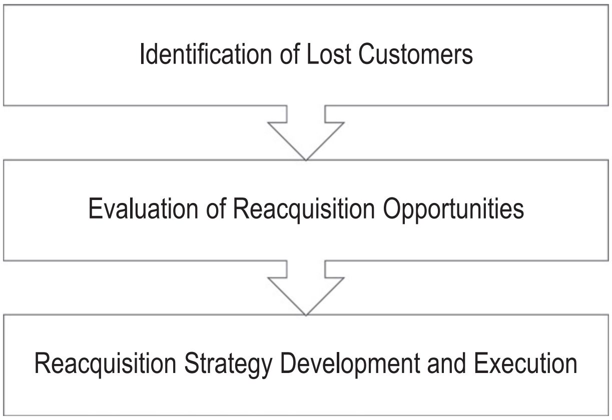

Fig. 1. Stages in the reacquisition sales process.

Reacquiring “lost” customers differs from acquiring “new” customers in several key ways. For example, sales organizations can often leverage departed customers' histories that are unavailable for new customers. However, customers' past first-hand experience and relationships with the sales organization can be a critical determinant or deterrent for reacquisition efforts; salespeople may need to counter strong negative attitudes or repair a deteriorating relationship before any reacquisition initiatives can be successful. Additionally, reacquiring lost customers often involves reactivating customers' switching behavior; salespeople may need to persuade a customer to “switch back” from their replacement supplier. Finally, customers' decisions to switch back typically require a reassessment of a supplier's relative value of the offering as well as the relative value of past relationships. Thus, what identifies an ideal prospect for acquisition may be decidedly different from what identifies a worthwhile reacquisition opportunity. Understanding how reacquisition opportunities are appraised and the criteria that salespeople use to differentiate worthy and unworthy opportunities is critical to the development of a more systematic and effective selling process.

This is one of the first studies to empirically evaluate customer reacquisition in B2B markets. Even though the B2B and sales literature are ripe with studies investigating buyer–seller relationships (e.g., Dwyer, Schurr, & Oh, 1987), and sales strategies [e.g., customer-oriented selling (e.g., Guenzi, De Luca, & Troilo, 2011), relationship selling (e.g., Frankwick, Porter, & Crosby, 2001), and consultative selling (e.g., Liu & Leach, 2001)] to retain valuable customers, this research practically ignores past and lost relationships. This is troubling given the potential importance of customer reacquisition to a firm's market share and brand management. This study aims to reduce this gap by examining how sales firms evaluate reacquisition opportunities with lost customers. Specifically, the purpose of this study is to: (1) understand how B2B salespeople and sales firms assess reacquisition opportunities; (2) identify reacquisition motivators; and, (3) examine environmental situations that influence reacquisition assessments. Contributing to the marketing and sales literature, this study expands the relationship marketing and CRM literature to incorporate lost customers and the reacquisition process. Furthermore, the results will provide new information to aid salespeople systematically appraise lost customers while enabling sales firms to more fully comprehend these evaluations as part of a more comprehensive reacquisition sales process.

2. Literature review

Several streams of literature are likely to inform our understanding of the customer reacquisition process and how salespeople make decisions about whether or not to attempt reacquisition. Of specific importance is the literature on relationship marketing and CRM.

Customer relationship management advocates acquiring and retaining the right set of customers for life to maximize profitability. However, not every relationship endures over time. If and when exchange relationships are terminated or dissolved, it is important for the sales organization to analyze the data that they possess to determine the value of the departed customers before attempting to reacquire them (Griffin & Lowenstein, 2001; Stauss & Friege, 1999).

With these goals in mind, Stauss and Friege (1999) suggest that sales organizations should conduct a “regain analysis” incorporating a customer value analysis. The purpose of this analysis is to simultaneously consider various quantitative measures of value (e.g., revenue, profitability, lifetime value) along with more qualitative measures of value (e.g., opinion leadership, innovation, potential for word-of-mouth referrals) and their relative importance to profitability. Stauss and Friege note that this customer value analysis is the prerequisite to any reacquisition attempt. While their research focused on reacquiring customers of consumer services and highlighted the use of database analytics, we propose that a similar type of analysis conducted by salespeople on their lost business customers is of critical importance to B2B reacquisition efforts.

Since not all lost customers are worthy of reacquisition efforts, Griffin and Lowenstein (2001) advocate for sales organizations to develop internal criteria to identify if and when a customer is worthy of a reacquisition effort. These criteria could include segmenting lost customers by their value/worth such as profitability and high second-lifetime value (SLTV), and by the likelihood of regaining a customer through analyzing the customer's reasons for leaving. These general criteria will aid salespeople or sales teams to properly and objectively evaluate the potential opportunity to reacquire lost customers. However, in B2B markets, there are various objectives for developing relationships with customers. As such, salespeople may determine that a customer's value depends on a set of wide-ranging characteristics. Likewise, the ease or difficulty of reacquiring a lost customer is likely to depend upon a set of diverse criteria.

In B2B relationships, both buyers and sellers are often engaged in a value co-creation process for economic exchange (Dixon & Tanner, 2012). For salespeople, managing customer relationships is a dynamic process as relationships are ever changing and evolving. Change in a customer's cost structure, personnel, purchasing motivations and goals can all influence the nature of an exchange relationship. Similarly, change in the sales organization's personnel or processes, or competitors' actions can also strengthen or deteriorate established buying and selling relationships (Dwyer et al., 1987). Thus, as relationships evolve and change over time, it is important for salespeople to be aware of and manage their development. Likewise, when customers leave, it is essential for salespeople to understand the reasons for this defection, how this relationship has transformed and what relational assets still exist. Understanding these changes will help to identify whether or not reacquisition efforts are worthwhile. For example, Pick (2010) suggests that the existing bonds, network linkages or “relationship energy” (Havila & Wilkinson, 2002) between firms are a prerequisite to regaining a valuable business customer. These linkages can exist at the firm level or individual level and include financial, structural and social bonds that may be derived from assessments of mutual financial investments, operational linkages (e.g., transaction specific investments) and the remaining relationships (Cannon & Perreault, 1999; Wilson, 1995).

Although a salesperson's ultimate goal is to retain all profitable customers and expand the lifetime value of each customer relationship, organizations realize that it is impossible to achieve a “perfect retention” record. Therefore, for salespeople who are making reacquisition decisions, it can be helpful to understand why and how customer relationships end.

Prior literature has identified a relationship-fading process and classified four types of fading that may result in customer defection. These are: (1) the crash landing — where a customer leaves abruptly and is typically caused by significant negative experiences and emotions;