



Thanks for subscribing to the Rocket FEED e-Newsletter. I hope you find the tips and examples are useful thought-starters for your own direct marketing challenges and opportunities.

Tip – Use data analysis to increase your reactivation rate and to more cost-effectively grow your active customer base

If you've been conducting direct marketing activities for a while, it's likely that you'll have some inactive customer in your database. Most companies include customers who haven't been active for the last 12 months in their acquisition campaigns (as a separate segment) and most find that the response rate is greater and the net cost per order is lower (or net contribution per order is higher) for reactivated customers than it is for new customers acquired.

Generally speaking, companies tend to segment their inactive customers by recency and market to those that were most recently active the most, as it's believed that these are the customers that are most likely to come back as they haven't been gone for too long. However, it's not uncommon to see the response rates and sales activity of less active segments fluctuate, with some longer term lapsed segments performing better at times, than those most recently lapsed segments.

The explanation for this, is that recency is only one indicator of the likeliness of a past customer returning, but there are many other indicators that could be considered. Other data that could help complete the picture could be as follows: how often did they purchase (frequency), what did they buy, how much did they spend, what payment method did they use, where did they live etc.

Without sophisticated internal systems, it might be difficult to conduct the necessary data analysis internally, but there are specialist direct marketing companies that can help, and is likely to be well worth the investment. If you can identify those customers that are most likely to respond to a particular offer, you can also stop blanket contacting those that are least likely to respond, which could result in significant savings and a great overall net contribution.

Example

A good way to approach this could be to provide a trusted specialist data provider with a complete data file of all those customers who have responded to a reactivation campaign within a specified period of time (i.e. last 12 months) along with a file of inactive customers who haven't been reactivated to date. After performing the analysis, the data specialist company could identify the most common indicators of a reactivated customer within your unique business environment. For example, this might reveal that customers who live in a certain geographical area who have had an average lifetime spend of greater than a certain amount have the strongest potential to be reactivated. The data of all inactive customers would also need to be validated to ensure that you have the most up-to-date contact records for each. Following this, you could test segmenting out the group of 'warmest' past customers identified and tracking their response rate and other KPIs against the other general segments of inactive customers to definitively understand if this approach is likely to be effective within your environment.

If you'd like to discuss this approach to reactivation in more detail, or if you require a referral to a data specialist company who could assist you, contact me on (02) 9572-6636.

Until next time.

Mel

Director

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