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Between Death and Life - A Formal Decision Model to Decide on Customer Recovery Investments

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Abstract:

As digitization supports customers in gaining increased market transparency, migrating from one organization to another (“customer migration”) is becoming easier and more attractive. Thus, taking measures to regain customers who terminated their relationship (“customer recovery”) has become increasingly important for organizations. With the growing importance of customer recovery in present times, organizations face even more challenges pertaining to risk of making wrong investment decisions. Organizations can either mistakenly invest in customer relations that are “alive” or irretrievably “dead.” Furthermore, it has the risk of not investing in inactive customer relations that have a chance to be revived (“dying”). Consequently, it is necessary for organizations to consider the probability that a customer relation is “alive,” “dying,” or “dead” when deciding on customer recovery. Based on these probabilities, an economically reasonable decision has to be made on whether to invest in the recovery of an individual customer relationship. Accordingly, based on a comprehensive



discussion of related work, we propose a formal decision model on whether to invest in customer relation recovery. To demonstrate the decision model's applicability, an illustrative case with sample calculation is presented and expert interviews are conducted.