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VIEWS FROM THE TOP

Firing a customer

Do yourself a favor and rid your business of draining clients

"Views from the Top" is a new *Mainebiz* column focusing on upper-level management issues that will appear six times throughout the year. Author and consultant Doug Packard works with executives and business owners in custom peer groups, provides individual coaching and helps leaders increase the effectiveness of their management teams.

As crazy as it sounds, firing a customer or two just might be the best thing for your business. This certainly turned out to be the case for John DeSantis, the longtime CEO of Bushmaster Inc., a manufacturing firm in Windham.

DeSantis realized that firing bad customers might be helpful through feedback he received from a peer group consisting of CEOs, presidents and business owners he regularly attends. The group initially helped DeSantis realize he needed to improve his understanding of other functional areas of his business. Having advanced his career through the operations side of several manufacturing firms, one of the areas DeSantis chose to explore first was sales.

The change brought DeSantis closer to his customers. Interacting with them directly and learning how each one interfaces with the company helped him understand that not all are beneficial to his company. One customer in particular took up an inordinate amount of senior management time, including several hours per week from DeSantis. With other customers, verbal abuse had occurred on multiple occasions. Because DeSantis wanted to make sure he did not lose any employees, he realized it was time to assess and reframe these relationships. In reviewing the firm's interactions, he discovered that, contrary to the old saying, the customer is not always right.

The firm created a list of problem customers. Some were "fired," a beneficial

move since the cost of servicing those customers was greater than the value of their business. The firm also worked with other customers to improve working relationships. Because the business initiated the discussions, these customers actually expressed a desire to learn how to become better customers. This helped change these relationships into joint planning partnerships and increased business over the long run.

Firing bad customers was particularly helpful because the company was going through dramatic growth at the time, so DeSantis wanted the staff to focus on good customers. But even businesses that are not growing need to consider the firing process.

Here are a few signs that it might be time to cut a customer loose, or at least to have a serious discussion with them:

- The cost of servicing falls outside of profit/margin targets
- Conduct while interfacing with employees is disruptive/abusive
- Repeated attempts to improve the relationship have not been accepted
- Customer has a poor reputation when working with other vendors
- Customer never did, or no longer, fits into target markets

Don't wait for relationships to reach the point where they are unacceptable. Proactively approach key contacts as problems begin to develop and have a conversation about ways to improve the relationship. Try to understand their perspective first, but also make sure they understand yours. Approaching customers with a learning mindset versus a judgmental mindset ensures you know the whole story. You may not be aware of all factors, and there could be things that need to improve from your end.

When you do fire a bad customer or two, your company begins to reap several benefits:

- More time to spend on good customers, leading to improved retention and increased business
- Increased time to find new prospects offering higher margins
- More enjoyable work environment with less stress, which helps retain employees
- The business remains in learning mode while interacting, which may help turn bad customers into good ones
- The business earns greater respect as a vendor and business leader; customers may realize they can learn from you

Identifying bad customers can also help you spot those who simply are not a good match due to their size, geography, industry, current business plan or other factors. This may help you and the customer realize it's time to end the relationship, but you can also have a discussion about how these factors could change down the road, at which point the partnership could be reestablished. If you keep a bad customer, be sure to explain to your employees why and that you will continue to review the situation over time.

Ultimately, by considering which customers to fire, business leaders and their employees will stop feeling like victims. Leaders also gain more control of their company. This takes the business to next level of prosperity, and leadership becomes that much more enjoyable.

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