To Fire or Not to Fire…

by Ken Evans

You've done everything you know to do to remedy the situation, but there's just no pleasing some customers. They waste your time, energy, and resources. Do you dare "fire" them?

Back in the day (as my kids say), there was much analysis and discussion about firing your least-profitable customers. A prevailing school of thought counseled, "Cull them out." "Free up resources to generate better margins and profit." "Send them packing into your competitor's arms and let them bleed." As one Operations executive told me, "Ken, I have been at this for many years. I quit working for 'practice' a long time ago."

Today, when every customer and every dollar is considered precious, the banter about firing customers has subsided. But has the pendulum swung too far the other way? How do you assess your customer relationships and determine whether your high-maintenance customers are worth keeping? These five steps will help.

1. Assess your best customers.

With farther-reaching territories to cover and relentless competition entering the market, it is imperative that you know how to make the most effective and productive use of your time. Start by asking yourself, "Who are my best customers?" Three simple questions can help you arrive at the answer.

- Is this customer profitable?
- Is this customer strategically important?
- Is this customer a high-volume, repeat buyer?

If the answer to the above check points is yes, odds are good that you need to nurture these relationships. If the answer to two out of three is yes, take a hard look. And if the answer to the profitability question is yes" take a really hard look.

2. Put on your qualitative thinking cap.

Now for a little analysis. Your best customers can tell you a lot about yourself. Here are a few examples:

- They may take you in new directions that are consistent with your firm's business model (i.e., product or service extensions).
- They are kind enough, and have the right, to challenge you to improve.
- They ask you to do what you do well.
- They pay a fair price and recognize the value you bring.

If your best customers answered the following questions and you listened and responded, you would probably be a better selling organization.

- What attracted you to do business with us?
- What is important to you? How do we help?
- Where do you want to be a few years from now? How might we help?
- If you were to do more business with us, what would be the circumstances?

Answers to the above questions provide an even deeper set of benefits as you think about yourself. They help you learn how to attract more customers like your best customers.

3. Do the math.

Now that you have learned some things about your best customers, it's time to work on your least favorite customers. What makes them high-maintenance?

- They short pay their bills.
- They are consistently slow-paying.
- They abuse your people.
- They take advantage of your business and ask for things that are not in the scope of your agreement.

Next, put pencil to paper and do the math.

- What are the tangible costs of servicing this customer—rework, time, unwarranted credits, plus basic service?
- What are the intangible costs—abusive language and general aggravation?

Does it make sense to try to patch things up first? Can you can make it without this customer? What would the consequences be? Can you reduce the cost of sales they inflict upon you, raise your prices, or do it more subtly by reducing your responsiveness?

A little self-analysis is also warranted. Good relationships with customers are built piece-by-piece, call-by-call, and experience-by-experience. They are based on value for the customer at every point of contact. Before taking any action, make sure you are not the problem.

4. Ready, aim, fire.

If your customer is not right—and you cannot make them right—then they should be someone else's customer. How do you do it? Carefully and thoughtfully. Some research suggests that a single disgruntled customer will share their experience with seven other people. And with today's blogs, it can get viral.

A face-to-face meeting is a must. Use the opportunity to define your solution's value to your customer's needs and success. Offer alternatives to salvage the relationship. Could they buy more, buy differently, pay differently? Can you establish fees for rework or late payments? If they aren't willing to work with you, nicely and professionally ask them to take their business elsewhere. Give them the names of alternative suppliers to contact.

5. Time to backfill.

Many salespeople chase too many targets with too few resources and do not make the best use of their time. You'll realize long-term improvements when you backfill your customer loss with the right customer targets.

- What is your "sweet spot" customer profile? Which segment is most profitable or has the greatest potential for growth?
- Consider "trial contracts" for customers who are outside of your sweet spot.
- Review customer losses with an eye towards your selling operations and process.

At the end of the day, you prosper when your customers value your relationship. Developing these relationships take a conscious dedication of time and proactive and deliberate strategies. Make sure you intentionally invest in the right relationships that lead to profitable results.

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