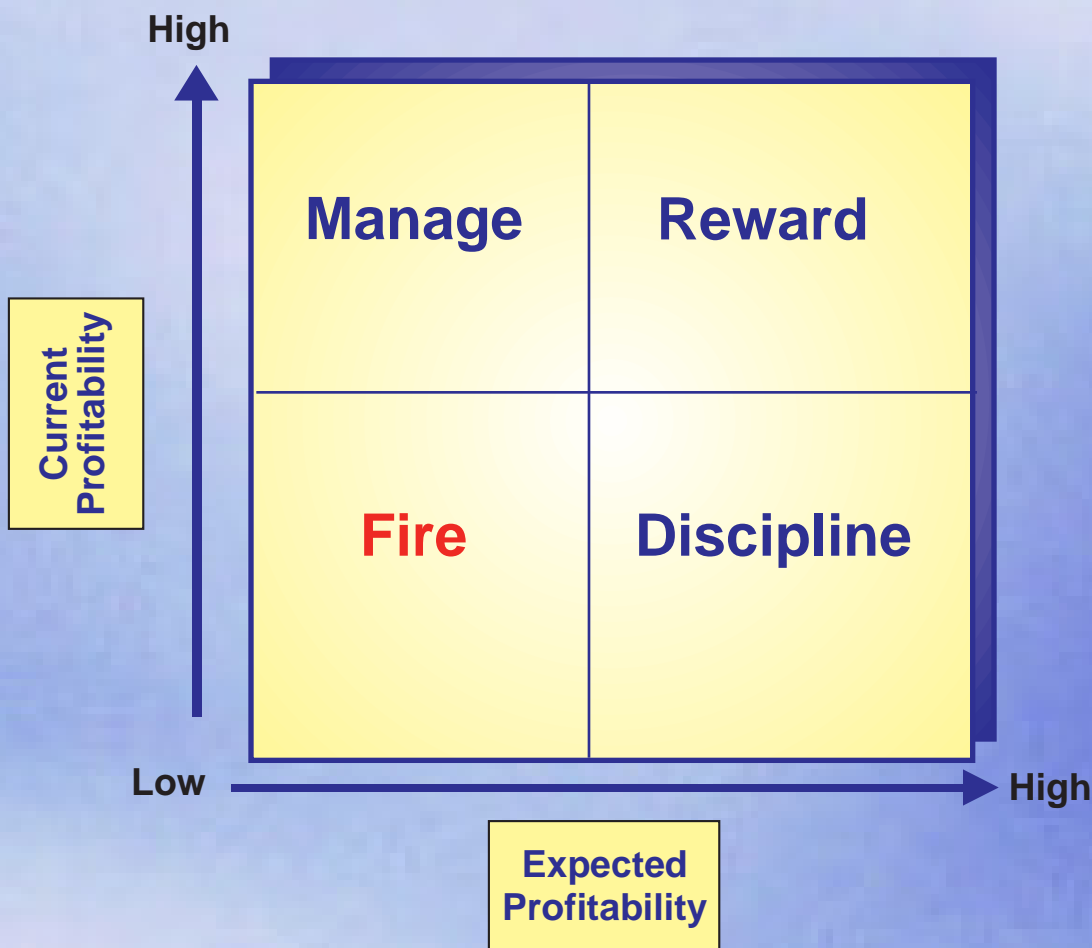




Should You Ever Fire a Customer?



No one prepared you for the possibility of firing a customer. It's against everything we've been taught. The customer is always right . . . the customer is king (or queen) . . . there are no cute slogans or mantras for getting rid of customers, only for keeping them. But the sad facts are inescapable. Some customers should be fired. If a customer relationship is never profitable and you never expect it to become profitable, then that customer becomes a liability rather than an asset. That customer should be fired. The matrix above outlines four customer strategies and suggests characteristics which may put customers in the categories requiring the associated strategies.



Quadrant I--Firing a Customer

The ultimate goal, of course is to move all your customers into Quadrant IV, but there will be those who just plain refuse to be moved. Customers that are not now profitable and have a low expectation of being profitable in the future should be fired. "Firing" a customer can take several forms:

- **High quotes**--If your business with this customer is never profitable, revise your quotes so that it makes sense to do business with him. This will either put him into a different quadrant on the matrix or he will cease to be a customer. Either way--you win!
- **Require cash in advance**--Again, if this technique is used you should be prepared for the consequences. Your customer may take you up on the offer, so make certain that your pricing structure ensures your profitability.
- **Plain talk**--This may be the choice of last resort. Always be professional. Always be courteous, but also be honest. Chances are that if you explain that you cannot make a profit under the current business arrangement, your customer will either go abuse one of your competitors or he will allow you to adjust the arrangement so that you can do business in a profitable manner.

It is important in dealing with these types of customers that you tactfully communicate your strategy. After all, your customer is in business to make a profit too. He will understand your decision and even respect you for it.

Quadrant II--Disciplining a Customer

If you want to discourage an activity--tax it if you're the government, or raise your price for it if you're a business. Banks have given us a perfect example of



this approach by charging us to talk to tellers. Customers are disciplined for choosing this expensive transaction method. This approach requires some set policies and procedures which you can point to when your customer gets "out of hand". Some things you may want to consider are:

- COD
- Advance deposits
- Delivery charges
- Premium rates for certain products or services
- Rush charges

Quadrant III--Managing a Customer

The key to managing a customer for maximum profitability and success in the relationship is communication and education. This process will help the customer migrate into Quadrant IV. Customers need to be taught how to have a smooth, mutually beneficial relationship with you. In the same way, you need to learn from the customer how to best serve the needs of the customer. Customers can learn how to be profitable through a variety of activities:

- Plant tours--If your business manufactures a product or has a physical process which can be followed from start to finish, you might consider inviting customers on a tour of your facility. Take this opportunity to explain the job process to your key customers so they can see what is involved in responding to their requests. Make certain you are dealing with the decision makers in addition to any others who are in the job loop.
- Process brochure--If a plant tour is not appropriate or practical, create a simple printed piece that explains the steps necessary for the customer's project to get from his desk or computer to a final conclusion. Many of your customers have never taken the time to gather this knowledge and,



as a result, may have unreasonable expectations.

- **Regular meetings**--Have regular phone conferences or face to face meetings where you can discuss your customer's upcoming needs and issues. This gives you the opportunity to be proactive and solve potential problems before they arrive as a crisis on your desk. If you customer is willing to allow you to be part of the "team" you need to use that opportunity to add value to the relationship--even if it is against your financial interest. When your customers are convinced you have their best interests at heart, you'll have no trouble moving them into Quadrant

- **Web Site**--This is an area where your web site can be very helpful. Customers could log on to a secure portion of your web site to see where in the job process their particular projects are, what the next step will be and who is responsible. This is reassuring to customers and helpful in their planning processes for activities that may be tangential to the completion of the work you are doing for them.

Quadrant IV--Rewarding a Customer (Developing a Learning Relationship)

This quadrant is reserved for your top performing customer relationships. These customers are the ones that pay the freight. These are the customers who are loyal, cooperative, consistent and profitable. These are the customers that should be rewarded. The key here is to make your relationship with these customers so convenient, simple and easy that they would NEVER consider looking at one of your competitors. By far the most effective strategy for keeping customers is for you to customize your service to each individual customer's needs, allowing the customer to "teach" you how he likes to be served, and then giving the service or product back to him according to those specifications. In this way, the more the customer teaches the you, the more difficult it will be for him to obtain



an equivalent level of service from a competitor-- because he would first have to re-teach the competitor what he has already gone to the trouble of teaching you. This is the nature of a "Learning Relationship" with a customer, a relationship that gets smarter and smarter with every interaction.

Learning Relationships are based on the deceptively simple idea that when a customer spends time teaching you, the customer himself develops a stake in the benefits of this learning. Getting an individual customer to teach you about his own particular needs is a completely foreign idea for any business not accustomed to thinking of its customers as individually interactive.

If you can convince a customer to spend some time or energy teaching you how to cater better to his or her individual tastes, then you can keep this customer loyal for a longer period, out of the customer's own self-interest. The more time and energy the customer expends in teaching you how to customize to his own tastes, the more trouble it will be for the customer to obtain the same level of customized service from a competitor.

Some rewards that you may want to consider as part of your Quadrant IV program might include:

- Preferred Customer Status--This might include extra benefits such as quick turnaround, odd-hours order processing, 24-hour hot line, private web link to view project status, etc.
- Special Payment Terms--Give your best customers the most favorable payment terms or even reduced prices on certain items or services. Some customers may even want you to alter your billing methods or formats to more easily accommodate their accounting systems. Reasonable requests in this area should be granted.



- Free Products or Services--You might consider such things as free pick up and delivery, free shipping, free set-up, free troubleshooting, free upgrades, free parts and labor, etc.

These are just suggestions, the most important thing here is to allow the customer to "teach" you what would be valuable in further cementing your relationship. If given the opportunity, your customer will provide you with the answers you need to develop services that will strengthen your relationship.

All the energy you spend in educating and communicating with your customer will pay big dividends in the long run. There is no greater asset than a long-lasting and mutually beneficial customer relationship.

So, fire your a customer when absolutely necessary, but make certain you have made every effort to move them out of Quadrant I before you drop the hammer. You'll be glad you did.

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