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Letting Customers Go

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by Pamela Mills-Senn

When Sprint said "bye-bye" this summer to 1,100 of its wireless customers it deemed too troublesome to keep, people were agog. It was the dumping heard across the nation, and it had folks wondering: Was the axiom "the customer is always right" headed the way of typewriters, eight-tracks and analogue?

Looked at more deeply, the Sprint move makes sense. According to company representatives, these folks accounted for an inordinate number of calls to Sprint's CSRs—some individuals called up to 300 times a month—negatively impacting service to other customers. It appeared evident that Sprint was not going to be able to satisfy the malcontents, and that consequently, they might be happier with another provider. And so, away they went.

Businesses have to make these kinds of decisions all the time, although most are fortunate enough not to have to do so under such intense public scrutiny. But common as these situations are, they're never easy. Worse, some people make a terrible mess of the deal in the process, resulting in outcomes hardly designed to generate favorable word of mouth.

How can you do a better job of severing ties with a customer you feel you can no longer afford to serve? The first step is to banish the concept of TCAR to the cornfield, says Mitchell Kusy, president of Mitch Kusy & Associates, a leadership and organizational consulting firm located in Minneapolis.

He believes this philosophy is actually detrimental to organizations and to employees, particularly when it comes to abusive or impossible-to-please clients. Catering to these ill-tempered sorts can result in a demoralized and unproductive workforce—and a bottom line as low as their spirits. Not only that, he continues, unhappy and stressed out employees can lead to higher health-care costs, absenteeism, turnover and other toxic-workplace woes.

Monica Wofford, president of Monica Wofford International, an Orlando-based customized training and consulting firm agrees.

"For a number of years I have been saying that the customer is not always right," she says. "This is a lie, and it can set people up for failure."

"But," she adds, "customers always think they're right, and that what they want is correct and justified."

Businesses could avoid having to cut and run if they more thoroughly qualified the customer up front, Wofford says. How to qualify? Communicate, communicate, communicate, she emphasizes.

"The small-business owner must set the stage early on, and make sure his business is a fit for the customer and that the customer is a fit for the business," she says. "In the primary discussions, be clear about the service you provide. Look at the customer's expectations and see if you can meet these long-term."

Be forthright, says Joe Takash, president of Victory Consulting, a performance and leadership firm based in LaGrange Park, Ill.

"To separate yourself from being a commodity, you must be honest with the customer," he explains. "Sometimes a higher buy in business from you or a lower buy is better. Sometimes a different service from somebody else is better. This honesty is what conveys trust and reliability and creates

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long-term business and higher profits."

Good advice for avoiding trouble in the first place, but what if you find yourself in the predicament of taking on a customer who seemed to be right for you—and maybe for awhile was right for you—but now, for whatever reason, the relationship just isn't working?

This happened to Silas Deane, president of Logic Media Group, a Nashville-based marketing, advertising and PR firm. Hired by a large company to develop its communication strategy, his initial optimism about the project began to wane.

"I had worked with them four or five months, and we just weren't making any progress," he recalls. "I would come up with suggestions, they would come back with other ideas, I would follow up on these, and they would come back with different ones. It wasn't going anywhere, and I found I was spending way too much time on this client and neglecting others."

He was in a start-up phase at the time, so the idea of sending that client elsewhere wasn't appealing, especially since he had developed a friendship with his primary contact. But once he calculated the amount of time he was spending with this one client, and the time it was taking away from growing his new business, letting the client go by explaining that he didn't think he was meeting their needs was easier.

Here's another example. After conducting an evaluation of its vendors and suppliers, Ken Paine, president of Hy-Tech Products Inc., based in Parma, Ohio, decided to take a similar look at how his customers were performing for the company.

"We found we had customers who would buy strictly on price and jump from one supplier to the next," says Paine, whose company sells commercial and industrial roofing equipment. "We go to great lengths to provide value-added service to our customers. We found we were delivering this same level of service to customers who were not loyal or steady and also to those who didn't pay their bills on time."

Paine ended up winnowing out roughly one-third of his customer base, telling customers that he didn't think his company was a good match for them and suggesting they try his competitor. In all, he let go of around 300 customers and says it was one of the smartest moves he's ever made.

"It was unreliable revenue at best," Paine says. "And we had more time available to get more business from our good customers. We didn't have that much loss of sales because we could focus on growth. It was an eye-opening experience, and now we have set up profiles of what we think is a good customer."

Interestingly, about half of his customers returned.

"They found out we gave them value-added service and that this did mean something to them," he says. "And now our relationship is a better fit."

This can happen, especially if you handle the difficult letting-go conversation professionally. And even if they don't return, at least you stand a good chance of parting on good terms and not damaging your reputation.

Kusy suggests the following approach:

- Shoulder the burden and initiate a dialogue, saying something like: "We haven't met your expectations."
- "Deal with the person first and the problem second. Let them let off steam," he says. "And when they pause, ask them if there's anything else you need to know, and then provide your solution."
- Suggest a competitor and provide contact information. This isn't to get them off your back; you're trying to be helpful. Customers may not opt for your alternative, but at least you haven't left them completely at loose ends.

Make the conversation customer-driven, focused on their needs and desires, whether you're meeting them, and if not, how you can help them find someone who can, Wofford says. If, as a result, you end up letting them go, it's their decision, and they feel as if they're in control of deciding where to go with their business.

And when the relationship has ended, follow up with a handwritten note of gratitude, Takash suggests.

"[Also], if something that can help them comes up in the paper or on the Web, or if you run into a person who can help them, pass these resources along," he adds. "Not only is it a selfless, classy thing to do, it's a business differentiator. These 'positive deposits' typically pay off."

(Deane helped to transition in his replacement, which soothed his client's upset feelings. And later, when he learned the project never did go anywhere, his gut feelings about letting the business go were confirmed)

What if they ask for a second chance like Paine's customers did? Should you consider it?

"Absolutely," Takash says. "But you must be completely honest about what you will and will not accept in terms of behavior, contractual commitments, etc. If you're not and you give them a second chance, and they burn you it's your fault. Other times, it's not such a good idea. It's like trying to get back into those romantic relationships you know are going to return to unhealthy patterns."

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