

# You're



# fired!

## An occasional pruning of clients may be necessary for a small business to blossom

By Harvey Meyer

IT SEEMS LIKE biting off your nose to spite your face: a small business firing a client, even a longtime, profitable one.

But occasionally terminating a customer is perfectly logical for growing companies evaluating the big picture. While hard to do, it might be necessary if the business is to maximize performance, relieve stress and forge a solid corporate identity.

**"You have to look at the total cost to service each customer and whether you can develop the relationship to help you take your business to the next stage. It should be a sound strategic fit on several levels,"** says Beth Zimmerman, principal of Cerebellas, a Long Beach, New York, strategic and marketing consultancy.

For survival-minded start-ups, it's common to take on any and all customers. But as businesses mature, their expertise, preferences and efficiencies emerge. If a company doesn't regularly scrutinize its customer list, sometimes culling one or several, the business risks becoming unfocused, catering to a hodgepodge of clients with varying needs and profitability. Result: Clients dictate the business's operations, instead of the company

crafting its own identity and future.

When Frances McGuckin of Langley, British Columbia, was working as an accountant, one client was a family-run property-management company. Each family member operated an apartment complex. Financial matters that McGuckin raised invariably devolved into stressful family issues—accusations involving missing money, girlfriends and more.

"It became difficult because my approach was from an accounting/consulting point of view, but they looked at each situation from a family point of view," says McGuckin, a Costco member, author and now CEO of SmallBiz-Pro.com, a small-business consultancy. "As their property acquisitions expanded into the United States, I saw a way out. I told them they needed an accountant with cross-border experience and that I couldn't do them justice without that knowledge. It was a gentle way to let go of the client."

Shel Horowitz, a Hadley, Massachusetts, business consultant and author, recalls a 15-year customer who wasn't strategically aligned with him. As Horowitz enhanced his skills and boosted his rates, this longtime customer was

stuck still requiring basic, less profitable services. The client's demands were also psychically draining. It was difficult, but Horowitz eventually terminated the relationship.

"I probably should have done it years earlier," he says. "It was the right thing to do, and I was a lot happier afterward."

It's easier to jettison dishonest, late-paying or unprofitable customers. The same goes for clients who are abusive or behave inappropriately to employees, consistently revise requests or make last-minute demands, wrongly finger your firm for mistakes or ask you to do something unethical or illegal. But how do you fire otherwise good customers who are no longer a good fit?

The first step is, don't be hasty. It's variously estimated that snaring a new client costs five to 10 times as much as retaining an existing one. Give targeted customers, especially small but otherwise satisfactory ones, a chance. Explain your company's plans and invite them to assess their future needs and how, or if, your business might help them meet their goals.

**Ideally, says Zimmerman, a small firm should regularly engage in such strategic**

chats with customers. Sometimes, she says, companies end up pleasantly surprised that their long-term plans match customers' future requirements.

"It's really your job," says Zimmerman, a Costco member, "to maintain a good dialogue with customers and mine them for future opportunities."

But if it appears that customers aren't a strategic fit, don't fire them before asking yourself critical questions. Can you afford to dump a particular customer? Will you lose prestige? Does the client still owe you heaps of money? And, very important, what is the likelihood that a canned customer will bad-mouth your business?

"You don't want to burn bridges," says Jil Wyland, president of Litigation Presentation, a 10-employee Atlanta firm that produces visuals to support courtroom presentations. "When something bad happens, the [business] community becomes very small. Bad word of mouth travels much faster than good."

After carefully weighing the risks and determining that pruning a customer is the next best move, consider the following measures.

**Face them.** If feasible, meet the client in person. Explain your company's position and listen respectfully. Keep the termination discussion on point and professional. **Do not personalize matters or criticize these customers in any way, which might anger them and fuel combustible word of mouth,** advises Zimmerman.

**Ease the pain.** As a goodwill gesture to an exiting customer, consider offering a discounted product or service or complimentary tickets or coupons. Wyland actually paid for dinner when she pink-slipped a client.

**Offer alternatives.** Graciously suggest another reputable company (or two) that could offer the client services/products. For example, an accountant moving into a business-tax expertise could refer family clients to a general practitioner. In some cases, another business would be a better fit for a client anyway.

**Leave the door open.** Underscore how much you have appreciated the customer's business, and how agonizing the decision was to part ways. And, assuming everything else is acceptable, tell them you're open to renewing the relationship down the road should their needs mesh with your strategic plans.

In the end, it's a difficult choice, even counterintuitive, to fire customers. But if maturing companies don't occasionally do this, they might contribute to terminating themselves. [H]

*Harvey Meyer is a St. Louis Park, Minnesota, freelancer who writes for a variety of business, consumer and general-interest magazines.*

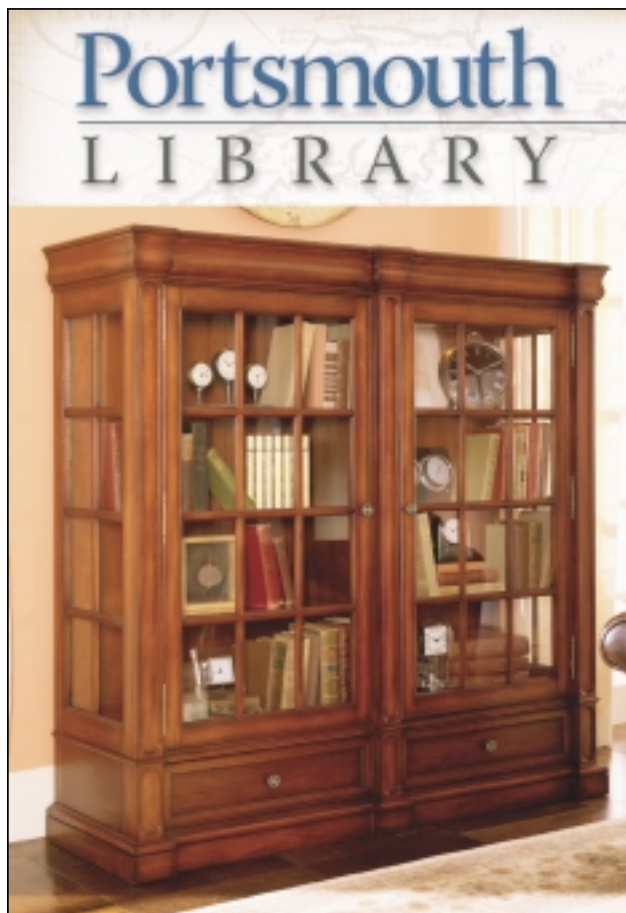


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