

MAKE MORE MONEY BY FIRING CUSTOMERS

Whether your business is online or 'real world' you need customers. Bless them.

However, not all customers are made equal. Some will place greater demands on your time and financial resources than others. In other words, some *take more value* from you *than they give* in return. This isn't an Internet problem this is an "I have customers" problem.

How you manage the good and the bad will have a huge impact on your business. However, I have noticed that few businesses (especially in the small-medium sector) are able to differentiate 'good' from 'bad'. If anything I have seen more effort being put into maintaining bad customers than retaining good customers. This, of course, is perfectly normal because most of us will put more effort into resolving unpleasant situations simply to take the pain away. Unfortunately, this often unbalances our effort:reward ratio – with us throwing all our energies into relationships that will never be productive. In other words we end up spending too much time trying to satisfy those who least deserve it whilst side-lining the really good customers.

Not that business life is always like that but when a customer 'goes bad' it can become an exhausting and unhappy time for everyone. The trick is to put in place a system which reverses the whole process – helping you minimise the effort you put into the troublesome customers whilst simultaneously increasing the number of, and rewards from, your best customers. So, in this Success Paper I'm going to show you an advanced and bold technique for doing just that.

HOW WE LET THE BAD IN...

Frankly some customers are the spawn of Beelzebub himself. They are the ones you can never please, who never pay on time, complain about your product/service and moan about the price.

Why would you ever want these people on your books?

It could be any or all of these reasons:

1. You don't know that they will behave like that until it's too late (i.e. until they've become a customer)
2. You feel compelled to supply them because a customer is money in the bank
3. You've already invested substantially in acquiring their business

It (quite literally) pays to identify what mindset it was that led you to taking them on in the first place:

1. If you didn't know they were going to be a nightmare upfront then you need to learn how to spot the danger signs
2. If you felt that you needed the money then your marketing needs more attention
3. If you'd already invested in them then look at the previous two points.

The cost of these customers is time, money and eventually your sanity. But the spin off cost is that they take your focus away from acquiring and maintaining the good customers who deserve your time and energy far more.

I recently heard one company that was forced into servicing contract at a loss because if they didn't fulfil it they would never be able to work with the customer again and would lose the rights to bid for more lucrative projects in the future. What was worse is that they had built their business around supplying this one customer which, as a result, limited control over their own business. Hardly a sensible business strategy, I'm sure you would agree.

THE FIRING SQUAD

So, what can we do?

Well, this may seem radical but the best and simplest thing you can do is FIRE THEM.

It might be a painful experience initially but it is a necessary pain so that you can create some space in your company to acquire a more profitable and less demanding customer to whom you can give a higher quality service.

Now please beware: It is entirely possible to convince yourself that the money they bring makes having bad customers worthwhile but when you calculate the additional costs (time, impacts on your other customers, management overhead, loss of marketing opportunity, potential bad PR, etc.) it invariably works out not to be the case.

If you've ever taken the step of firing the customer or even if you've just lost a bad customer through some means you might have experienced a pang of regret but it's quickly replaced with a huge sense of relief. Doing it once it makes doing it again easier because you're not fearful of the results. In fact you'll know that the ultimate outcome will be to give you and your business a boost.

I remember doing this many years ago. A customer had treated a member of my staff extremely rudely and I could see that working with them was going to be unproductive and painful. So, just before Christmas (when we could have really used the money) I fired them. They were astonished and wrote back apologising and asked us to continue the project. I declined. The feeling of freedom and relief was great. In the end I know we were financially better off because it gave us the time to focus on improving our business rather than managing an impossible client.

You can fire them in a number of ways but here are two of my favourites:

1. Price yourself out of their pocket. This is a nice and simple non-confrontational approach. The next time they request any work from you they'll find that your prices have shot up. Increased overheads, limited time, the nature of the work can all be used as reasons to encourage them to leave your books.
2. Suggest that their requirements may be better served by one of your competitors. This is a more direct approach (and does depend on how much you dislike your competitors!) but it gives you a route out that is more in sorrow than in anger. It's an acknowledgement that their needs are not compatible with your business. Put differently: The relationship isn't going to work so it's best to go your separate ways.

THE EARLY BIRD FIRES THE WORM

It is possible to take a pre-emptive strike and fire a bad prospect before they become a bad customer. Simply do this: Think back to recent encounters with bad customers and write down the following:

1. What were the common *attitudes* from the bad customers
2. What were the common *behaviours* from the bad customers

This gives you the list of tell-take signs to watch for in prospective clients. If you start to see the patterns emerging, take the necessary action and leave prospect to your competitors.

There is a great phrase to sum up this whole approach: "The lesser for the greater". The short-term pain in firing a customer (who will only hinder your profitability) is more than compensated by the long-term gain of being able to maintain and acquire better more profitable customers.

Ready? Aim...