

PERSPECTIVE

Peer-to-peer question: Should I 'fire' a major customer?

Answer provided by Edmond Mellina

Peer-to-Peer Powered by PROFIT

PROFIT (www.canadianbusiness.com) is the primary source of information for fast-growth Canadian entrepreneurs who live and breathe their bottom lines. In its Peer-to-Peer section, PROFIT publishes one reader's question every two weeks and turn to other readers for their answers, perspectives and potential resources.



Peer-to-peer question

Last issue, the president and CEO of a Winnipeg-based company wrote to ask PROFIT-Xtra readers:

"I am considering 'firing' one of my customers. He's very rude to my employees, he's always haggling for discounts and he expects special treatment. However, he always pays on time, and his business is responsible for about 15% of my company's revenue. I am torn. Has anyone ever had a similar experience?"

Answer provided by Edmond Mellina

This is a dilemma most of us face as we build our companies. For sure, 15% constitutes a sizable chunk of your company's revenue, and timely payments are extremely valuable in terms of cash flow. However, revenue and cash flow are just part of the equation. What about the costs?

First, there is a direct financial cost, i.e., lower margins due to your customer's constant haggling for discounts, as well as the special treatment he gets.

Second, there is a "soft" cost, and this is more concerning to me. Since you've let this customer be very rude with your employees, they must feel you don't really care about them. The consequence: less trust in you as their leader. I would also bet that their motivation and engagement levels are down, and that they feel less loyalty towards you and your company.

Why is that worrisome? According to the latest PROFIT HOT 50 report, 88% of the HOT 50 companies mentioned both "the ability to attract good staff" and "the ability to retain good staff" as critical to building their business. I don't know about you, but I don't feel like working for a boss who lets customers be rude with employees. So, by not acting, you are shooting yourself in the foot.

Finally, there is a negative impact on your own effectiveness as an entrepreneur: you are wasting valuable time and energy, both mental

and emotional, thinking about and dealing with the situation. You would be better off investing this in your good customers, and in further developing the business.

Second, there is a "soft" cost, and this is more concerning to me. Since you've let this customer be very rude with your employees, they must feel you don't really care about them. The consequence: less trust in you as their leader. I would also bet that their motivation and engagement levels are down, and that they feel less loyalty towards you and your company.

Why is that worrisome? According to the latest PROFIT HOT 50 report, 88% of the HOT 50 companies mentioned both "the ability to attract good staff" and "the ability to retain good staff" as critical to building their business. I don't know about you, but I don't feel like working for a boss who lets customers be rude with employees. So, by not acting, you are shooting yourself in the foot.

Finally, there is a negative impact on your own effectiveness as an entrepreneur: you are wasting valuable time and energy, both mental and emotional, thinking about and dealing with the situation. You would be better off investing this in your good customers, and in further developing the business.

Here are my recommendations. If the damage to your people is already high, then bite the bullet: fire the customer and explain to your employees why you did it. Your action will send the strong message that you really care about them, that money is not everything and that customers won't come first if they don't respect fundamental values like mutual respect. You will experience short-term revenue pain, but the longer-term gains should more than compensate for it.

If the damage is not yet significant, then work on securing new business to compensate for the 15% of revenue. Then fire the bad customer, and make sure to explain your decision to the employees.

ABOUT THE AUTHOR



Edmond Mellina is President of ORCHANGO, the learning division of TRANSITUS Inc. – a leading provider of learning and consulting solutions to master organizational change.

Edmond is internationally recognized as an expert in the field of change and transition management. For close to 20 years, he has helped organizations on both sides of the Atlantic successfully adapt to change, first as executive and now as advisor. He is the creator of the ORCHANGO Change Management System™ and ORCHANGO Learn-and-Execute System™.

Edmond's articles have appeared in leading business publications around the globe; the media regularly interview him as an expert source.

Edmond holds a Master of Engineering from the prestigious “Grandes Écoles” of France, and is a graduate of the Ivey Executive Program. He is fluent in both English and French.

E-mail: emellina@orchango.com

Tel: (1) 416-607-6474