

## I Hate You, I'm Leaving - Customers in Jeopardy

03/06/06

As a business owner, I buy lots of products and services to help my company do its job. And this evening, I'm sitting here so furious that there's steam coming out of my ears. We had a deadline, which we are going to miss, because one of our main suppliers didn't come through as planned. What makes my blood pressure shoot through the roof is that this didn't have to happen. I suspect that the vendor just took our account for granted and figured they could get away with it. What advice do you have for me on this one?

Good relations between customers and vendors are like gold. When things go sour, that can devastate the relationship. Let's take a look at this problem from both the buyer's and the seller's points of view. From the buyer's point of view, what can you do to prevent problems, and how do you handle the situation effectively if things do go wrong. What should you do to protect your firm if you suspect things aren't working as well as you want them to work? From the seller's viewpoint, what is the cost of a major relationship break, how do you handle a tough situation, and what can you do to recover?

Let's start with the seller. Good customers are the centerpiece of well run businesses. And yet it is just as easy to lose a good customer as a bad one. Most good customers go away, not because they get a better offer,

but because their current vendor doesn't pay enough attention. Most sellers spend more time getting new customers than they do hanging onto the ones they have. You have to have a mix of both. Today we'll focus on what it takes to keep the customers you have.

One of the big traps with customer relationships is the potential to take good customers for granted. The customer has been with your firm for a long time. You know each other well. You know what each other expects. Your firm has always been able to handle this customer. You know you can count on them for repeat orders. Don't be so sure.

Why should you pay attention? If you don't pay attention to your customers, someone else probably will, and you'll eventually be out a good customer. Perhaps a competitor will come along with a better offer. Maybe your customer will decide you're not interested enough in their business, like the business owner who wrote in this week. Either way, that customer goes out the door, and your profits go with them.

How do you know if it's worthwhile expending time and effort to hang onto customers? Start by figuring out exactly how much profit you make on each of your customers. Factor in how easy or hard each one is to

handle, the margin you make on their orders, and any opportunity you have to expand the relationship. Think of what you will lose in profits if your good customers decide to leave your firm and seek services or products elsewhere. Then figure out what it costs you to go out and sell a new customer of similar value. Once you've done the math, you'll probably find it is a lot cheaper to invest a little time and effort to hang onto existing customers, as compared to what it would cost you to replace ones that leave.

Let's assume you've done the math, decided you want to do what you can to hang onto good customers, and you're faced with a breakdown. Your firm has to handle the situation quickly, and effectively. This is called crisis management. What you do in the first minutes and hours after a breakdown can set the tone, and may go a long way to determining whether you and your client continue to work together.

The elements of successful crisis management include rapidly acknowledging a breakdown, acknowledging the severity of the situation from the client's point of view, and expressing concern for the client. You want to immediately apologize, accept responsibility, and avoid laying blame. Finally, suggest actions you both want to take to avoid future repeats.

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What can you do to recover? You want to ask the client what they think it would take to make the situation right. Come up with some way of compensating your client for the distress. Assure the client, through your words and your actions, that you are fully involved and committed to making things right between your firms.

Internally, you want to talk with your employees about the importance of hanging onto good customers. Teach your people about the basics of crisis management, and practice handling difficult situations, so that people are more familiar with what to do once they end up on the firing line. One of the biggest mistakes many employees make is that they get into a loop of defending their behavior. Another problem is that they try to explain why things happened, at a time when the customer isn't interested in hearing about that. Most customers, when they are hot under the collar, want an opportunity to vent, want to be sure the seller appreciates the severity of the situation, and want to move on to a solution. Leave re-hashing why it happened for another day, when everyone has calmed down. Focus on getting things back on track first, compensating the customer second, then work on the mechanics of why.

What if you're the buyer? There are a number of things you can

do to try to prevent problems. Make sure that if you have a deadline, your suppliers know about it. Ask them ahead of time to if they see any problems meeting the deadline. Even better, ask them to deliver early. Put requests in writing, and ask for written confirmation back. Don't cry wolf every time you need something. Do know your supplier's chain of command, and how to escalate requests when they are important enough to merit that.

Periodically visit your suppliers, to see first hand how they are doing. Get to know the financial people, as well as the people who handle your account, so you can keep a pulse on their financial health. Be alert to big changes in staff or management. Ask to formally review your account relationship, at least yearly. Ask the seller to tell you where you rank in their customer portfolio, and what you could do to improve the relationship. Ask about the future plans of the seller's firm; check to see if supplying companies like yours is core to their long term growth and development.

Once a breakdown happens, shift into crisis management mode. Ask for a quick snapshot of the problem. Stick to facts. Repeat back what you hear; remember in a crisis it is easy to misinterpret, and you don't want to go from a bad situation to worse because of a misunderstanding. Avoid the temptation to vent. Walk away, if

things are heating up. Trying to lay blame, or complaining about what has happened, won't help, and might further hinder progress. Focus on problem resolution. Be clear as to what will, and will not be acceptable to you, as you try to determine what is realistically going to happen, given the breakdown.

Demand that your problem reach the level of someone with the authority to act. Ask the seller to lay out specific next steps, dates and times, and clarify who will be accountable. Watch how the seller handles the situation; this will be a factor in your decision later on, as to whether you continue to work with the firm, or move on to another vendor. When the dust has settled, you can certainly ask the seller to make an offer to compensate your firm for its trouble.

When you are past the crisis, consider your firm's options. If you've had a problem with a vendor, sit down for a probation conversation, similar to what you'd do with an employee who is under performing. Explain how important it is, that they deliver as expected. Ask the seller to show you what they have done to improve things, systemically, so that your account will never again be in jeopardy. Expect them to take your account seriously, and be careful if your gut tells you things aren't right. Look for actions, rather than words. Use the three strike rule: strike one



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your fault, strike two, my fault, strike three, we're done.

If things are off track, don't hesitate to switch, and don't stick around for promises that you know won't be met. Sometimes you have to take your business away, in order to get someone's attention. It is always important to have more than one vendor lined up. Regularly require that your employees shop for alternative suppliers. Periodically review a list of vendor options, stack ranked in terms of quality, price, and reliability. Know where your firm would go next, if it needed to do so.

Looking for a good book? Try Crisis Management, Planning for the Inevitable, by Steven Fink.

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