



# problem child

## WHEN TO DITCH A DIFFICULT CUSTOMER

BY JEANINE GAJEWSKI

As president of IT services firm AnalySYS, Stephen V. Kolbe has weathered his share of difficult customers. But one in particular, let's call him "Bob," was more troublesome than most. Bob wanted to hire AnalySYS to replace its current IT technician. Problem was, the current IT technician was Bob's son, Jim.

"One of the parameters of the relationship was that Jim was going to get fired, and Bob was going to do the firing," Kolbe says. "So we signed the client on with the expectation that Jim would go and we would provide the IT support. Instead we found ourselves reporting to Jim, who didn't like us because he knew we were coming in to take over his job. Bob said Jim was going to leave in two weeks - didn't happen. Another two weeks - didn't happen. The mistake I made was not communicating my disapproval more clearly. It was an adversarial relationship to begin with and it lasted for exactly one year, at which time we were not going to renew."

Firing a customer can be a harrowing experience. After all, this is the guy who's putting money in your pocket. Sometimes these "difficult" customers, with a little hard work on your part, can be converted into your biggest fans. And sometimes, parting ways is the better business decision for the CEO who has the fortitude to say, "enough is enough."

**"If the value isn't there, then it's time to nicely walk away."**

LARRY BLUE, CEO, H-G-Tek



### SIGNS OF TROUBLE

Difficult customers become difficult for a number of reasons, and the most obvious reason, whether you want to believe it or not, is that your company is at fault.

"Most people don't complain just to be obnoxious," says Joe Payne, CEO of Eloqua. "When someone is making a lot of noise, there is probably an opportunity for our organization to do something better. What we see is a symptom - a customer being a jerk - but it's often a symptom of a product or service failure."

However, the customer often shoulders much of the responsibility for the problems, and it usually comes down to demanding too much of your time for too little compensation.

"Some difficult customers we've had were very demanding of our time and took advantage of a personal relationship we had," says Tilt Studio's E. Rachael Baird. "With one, we kept changing our procedures to accommodate the customer, but we realized we were spending all our time on one project. We just could not do business that way."

### THE CARDINAL SIN

"In rare cases, a few customers committed the cardinal sin: they are abusive to my staff. Staff abuse is the one thing I can't tolerate. In those cases, we'll finish the project, I will reward the staff heavily for having endured and we'll decline further work from that person."



KATIE MORAN, president, PerformTech

### THE CUSTOMER IS ALWAYS RIGHT?

"We are in the service business, but there are things that are non-negotiable based on what we believe and our core values. No one is making us do business with a customer. They say that the customer is always right. I don't believe that is true. But the customer is always the customer."

DAVID WILLIAMS, president and CEO, Merkle



"Typically, I've found that you know a deal is dead or a customer needs to be out loose when you are spending far more time on it than the amount of revenue justifies," says Larry Blue, CEO of H-G-Tek. "I do a balancing act and say, 'Is this \$30,000 customer worth the trouble he's causing? Or do I want to spend our time more appropriately focused on other deals on the table?' It may sound draconian, but everything is a balance. And in running a company, you have to understand the value for your effort. And if the value isn't there, then it's time to nicely walk away."

Payne says that if a customer is not a good fit for your company, he will continue to be unhappy until one side decides to end the relationship.

"I've fired customers in almost every CEO role I've had, and usually it is a fit issue," Payne says. "I fired a client last year that no matter what we did, the client continued to blog negatively about our company and my people." After months of going above and beyond for this client without any change in his attitude, Payne decided it was best to pull the plug. "It got to be demoralizing for my team, so I basically made the decision that given the negative feelings he was generating, I felt that client wasn't worth all the aggravation. That's a tough decision because you don't like to give up any business, but it had a positive effect on my team's morale. My team said, 'That's a case of our CEO sticking up for us and instead of throwing us under the bus.'"

### WHY CAN'T WE BE FRIENDS?

Although firing a client can be traumatic for both parties, it is imperative to remain professional during and after the separation, no matter how infuriating the customer becomes. It's a small world, and bad pennies have a habit of turning up again.

"We are in a small community, so you should never burn bridges," says Katie Moran, president of PerformTech. "The person you are dealing with now may turn out to be your boss, your client, your employee - you never know."

"Everyone knows everyone, especially in the small business community," Kolbe says. "I'd be fooling myself to imagine they will walk away with a smile on their face, but they need to know that we are good people - it just wasn't the right fit."

To ease the pain, Kolbe recommends making the transition as smooth as possible. "Ask what you can do for them," he says. "Once it is all said and done, make them feel appreciated. Don't let them feel kicked to the curb. Send them a thank you

note. This is no place for emotion. There is only a place for empathy."

Hi-G-Tek's Blue says recommending alternative solutions can help make the split as amicable as possible. "It's hard to do this, but you have to get all the emotion out of it and you have to deal in facts and be honest," he says. "Depending on the problem, you can recommend competitors or alternative solutions so the customer understands you are not leaving them in the lurch."

Joe Brown, president of Accelera, says, "If you leave someone with a sour taste in their mouth, there is really nothing you can do to stop them from talking negatively about you. But sometimes letting them return the merchandise is like extending an olive branch."

## AN OUNCE OF PREVENTION

When it comes to difficult customers, your best bet is to nip them in the bud, as Tracey Halvorsen discovered early on as creative director and principal for interactive design agency Fastspot.

"When you are a younger company, you don't want to turn away work," she says. "But when you look back at the time and mental energy that went into that, you discover that you spent even more money staying in a relationship with someone who didn't respect you. So it's your responsibility to lay out specific ground rules and hold true to the contract. You have to have those uncomfortable conversations because the minute you let something slide, then the client will take advantage. It is just like an abusive marriage when the client realizes that they are in control and they can do whatever they want because you won't put your foot down."

## THE PROBLEM SOLVER

"With customers who yell at you, you have the opportunity to make things right, and as a result, they will actually become your best vocal mouthpieces in the marketplace because you solved a problem for them. If someone is screaming, immediately surround it. What you don't want to create is a perception that you are non-responsive to complaints or that you are inflexible."



NICK LANTUH, president, NetWitness

Derek Watson, president, Advanced Project Solutions, says most of his problematic customers are difficult because of a breakdown in communication. "Their expectations either aren't defined or they are so high that they are unachievable," he says. "To head this off, we always have a schedule laid out, which we go over in detail with them so they understand the process. I am continually communicating with them."

Most companies learn the importance of qualifying clients the hard way. "With one client, we arrived at the idea that we would replace his full-time person with four hours from us a week," Kolbe remembers. "It's a cocktail for failure and that was on us. The relationship lasted for two months. So you really have to qualify your clients when you bring them on."

Payne says no matter how difficult it is to leave a sale on the table, it is far less painful than acquiring a problem-child customer. "We had a deal last quarter where we got down to the final paperwork and it came to me for my signature," Payne says. "I looked at a couple more items and said, 'This doesn't seem like our kind of client.' And I had to call the prospect and say, 'Look, you guys aren't a good fit,' and they were obviously furious. Occasionally the sales organization gets excited about a client, it gets momentum and a deal moves faster than it should. So rather than go through the pain, which would be more expensive later, we took a pass on the client."

## RANTING TO RAVING

Not all difficult customers become ex-customers. Ironically, those who complain the loudest can sometimes be converted into your most vocal supporters.

Tim Rhode, owner of the Maryland Athletic Club & Wellness Center (MAC), says he makes it his personal mission to turn disgruntled customers into raving fans. "I took over management of a health club in my early 20s, and one customer said to me, 'There are two people in this club you will never satisfy,' and he pointed them out to me," Rhode remembers. "At that moment, a light went off and I made it my personal mission to win those people over. It didn't happen overnight, but in six

## REASONABLE PEOPLE

"I have found that most people are fair. You don't see a lot of people trying to get something for nothing. Most people are not complaining just to complain; typically there is a justification in there. So rooting out the problem, solving it and doing a little on top of that goes a long way."



GREG S. JONES, CEO, Bookkeeping Express

months time, both of those people were two of our most hardcore supporters. Some people aren't willing to work any harder, especially for a belligerent customer, but I think you should make it your goal not just to neutralize them, but to turn them into a raving fan."

Rhode says the road to conversion starts with listening to your difficult customer. "Listen and let them know you are listening and that you care," he says. "When people get upset, they start chaining unrelated issues together, and when you repeat it back to them, they might start realizing that they are piling on. Then you go from being an adversary to being on their side and focusing on solutions. Let them know that the buck stops with you. You aren't going to solve it by giving up on them or walking away from them. So you might as well get good at solving their issues."

Difficult customers are often angry, but they are not necessarily angry with you, says Heinan Landa, CEO of Optimal Networks. "Years ago, we picked up a client who was burned by her previous IT provider," he says. "When our engineers came on site, they transferred that attitude to us and were yelling at them and literally being abusive."

In an effort to retain the relationship, Landa met with the client and laid out the facts. "We said, 'Listen, we can't have your folks abusing our people. That's not going to be good for either of us,'" Landa says. "The client took it very seriously and went back to her people and said, 'Under no circumstance will this happen anymore.' This was in 1999, and they are still a wonderful client now – they turned it around on the spot."

PerformTech's Moran recounts a similar experience with a client who hired her company to produce a \$30,000 video. "We started a project with a client who was difficult from the beginning," Moran says. "She was just bristling all the way around, and I was thinking, 'I've never met you before but you are already mad at me and I'm not quite sure why.'"



## LISTEN WITH CARE

"The biggest thing when dealing with a difficult customer is to listen to what the customer has to say. Don't just listen to the words, but listen to the story. Ask a lot of open-ended questions. You can take a lot that you've learned in your personal life and apply it to business. It's about relationships. As a CEO, we have to put ourselves in the customer's shoes and say, 'If I were sitting in that person's position, what are reasonable things to think?'"

DAVE LANZI, president, Delta Telephone & Cabling

Over the course of several meetings, Moran learned that what the client really needed was not an expensive video, but a \$5,000 laminated job aide card. "Someone told her she needed a video," Moran says. "We told her that she could save \$25,000 right off the bat. We did a great little card and left \$25,000 on the table. But six months later she came back to us with another need because she trusted us. If we had taken her money and run, we'd never have seen her again. But we made her look good." CEO



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STEPHEN V. KOLBE, president, AnalySYS