

## Sound Advice (Part II)

Making sound decisions in our businesses requires that we know what information to look for in our companies, how to interpret this information, and then take decisive action on the information. This week, we'll look at a second area where an honest assessment can produce big results.

- 2. Non-performing customers.** Contrary to what you may have heard, all customers are *not* good customers. You may have a customer who represents too large a percentage of your overall sales. Or, one who isn't profitable—it costs you more money to service them than they pay you to provide the service.

Perhaps the most dangerous non-performing customer is the one who lulls us into thinking they're a good customer. These customers are like drug dealers, and we're the junkies who depend on them. Here's what I mean.

One of the toughest calls I ever had to make in business was firing myself from a customer like this. He was a three-banger: he represented more than 20% of my company's overall sales, the profit we earned on his work was paper thin or non-existent, and he chronically strung out his payments beyond 90 days. In retrospect I think, "What was so tough about *that* call? That customer was killing you." But at the time, it felt like

I was throwing my whole company under the bus when I walked into this customer's office to fire myself. After all, I had employees who were depending on me to provide them with work.

I had become addicted to the busy feeling I got from the work he sent us. I had chosen to ignore the hard data that the jobs we did for him were unprofitable. Because I ignored this hard data, I had ramped up our

company to meet his needs and became even more dependent on his work. It was slowly killing me. I would inject the payments he would reluctantly send us into our company like an addict injects a drug into his veins. He knew it was just enough to keep me working for him, and not so little that it would give me the courage to leave him. Fortunately, I was able to see this and take action before it put me out of business.

How good are your customers? Do you have an unhealthy dependence on one or more of them? Does any one customer represent 10% or even 20% of your sales? If so, ask yourself the question, “If this customer fired me tomorrow, how would I survive?” Think about what steps you would take to stop the bleeding. Since you could no longer depend on the sales volume from this customer, you would have to find other customers to replace him. Maybe it’s a good idea to do this now rather than later.

How profitable are your customers? Do you job-cost their work to know for sure? Having a close relationship with our customers is a double-edged sword. We want to be close to our customers so we can anticipate their needs and be more valuable to them as a service provider. At the same time we want to be careful that we don’t lose sight of whether they are profitable accounts, and that we don’t continue to do business with them just because we don’t want to lose their friendship.