

# Pick the worst 20% of your customers and

# SACK THEM!



JOHN HADFIELD | KIM

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Let's set the scene. We were very profitable and secure with nearly 20 years of successful trading under our belt. The business was going great and yet we felt that there 'must be a better way'. We engaged a business consultant who reviewed our methods, interviewed our staff, suppliers and customers and generally gained an understanding into the culture of our business. We were very engaged in this new process and looked on in awe as to the method he used and to the findings achieved.

Then he summoned us to a meeting and

presented a report exported from our accounting software with a red line drawn above the worst performing 20 percent of our customers. Simply put, his findings and recommendations were "sack the ones under the red line". Yes, it's the old 80/20 Pareto principle again!

To add further detail we had around 2500 customers built up over 20+ years of signage manufacture and running about 25 staff.

### The reaction – Positive or Negative?

There was an immediate knee jerk reaction to say "this consultant is crazy!" Statements like "we built this business on these customers, we can't sack them" or even the condition response we all feel – we like to be busy! Therefore after many debates and reviewing his findings, we took the challenge and sacked 20 percent of our customers.

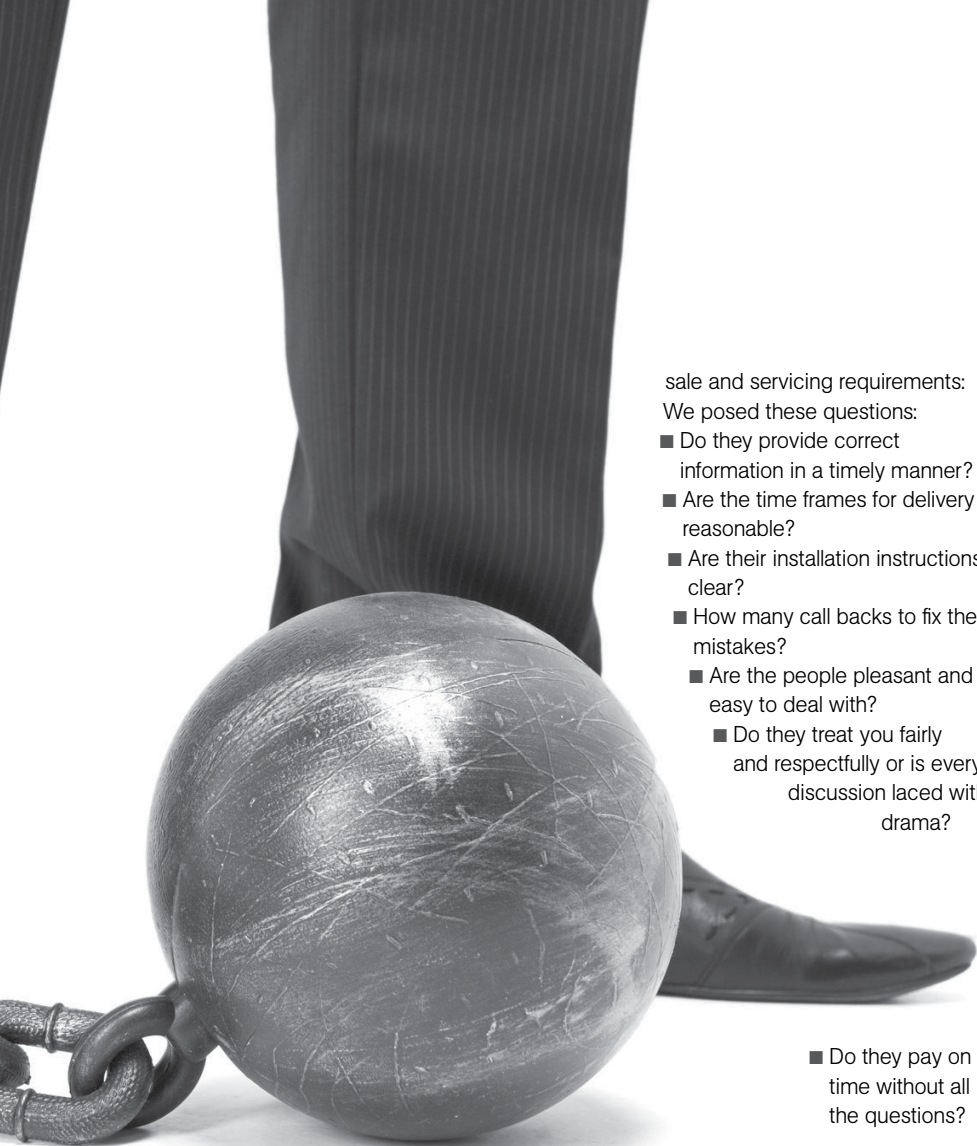
### The choice you may need to make

Almost immediately we realised there is a huge

and discernable difference between "Customers and Clients" may I offer our example:

**Customers:** are one who purchase products from your business. Typically they may look for the cheapest price, they may only buy once or twice. Rarely are they loyal or see your business as a preferred supplier, you are just another supplier, at their disposal when and if needed in the future.

**Clients:** The difference we suggest in a client is engaging your business in being a part of their supply chain, a vital link with whom they wish to build relationships. Clients are not focused on price but rather value for money. Generally they see the work you do as a building block to showcase their logo and professional image. They're driven by quality, guaranteed supply times and the confidence the signs and print you deliver will be beyond their expectations. They will often desire to forge great friendships with you and your people. In recognising and



sale and servicing requirements:

We posed these questions:

- Do they provide correct information in a timely manner?
- Are the time frames for delivery reasonable?
- Are their installation instructions clear?
- How many call backs to fix their mistakes?
- Are the people pleasant and easy to deal with?
- Do they treat you fairly and respectfully or is every discussion laced with drama?

- Do they pay on time without all the questions?

Out of around 15 estate agents in town he had secured, it became very clear 3 or 4 of them didn't match our profile. Yes, he dumped them.

**The net result:** More time developing the good clients led to more sales and increased work and profits. Some of the other agents actually commented as he stopped supplying "XYZ Agent" they trusted his judgment more and would therefore offer him a greater share of their work!

■ **Case Two:** A medium to large digital printer in a state capital was focused on pushing his machines and running multiple shifts. The strategy was simple – punch out the work at whatever price they can achieve hoping this would deliver profits. The obvious mistakes, over runs, under runs and a general panic could be triggered by just one unplanned phone call. The sales team was driven by KPI's focused on volume of Metre Square per month. The feeling of rush and panic was overwhelming. The print machines were always busy, in my view – too busy to notice they were going broke – it was a race to the bottom. We stepped back, analysed the customers and defined some new aims. Sure, they were heavily geared with loads of overheads. However the answers to the questions are there if you look. Fact is they

needed profitable sign and print work to suit their core business. Therefore the process will take a little longer to embed.

**The net result:** More process and steps in the client selection process with more margins on jobs will deliver greater profits. Additionally even after a few months there is a feeling of calm, it's a better place to work, people care more, yielding in less mistakes and better morale.

### Does this strategy always succeed?

Typically I have to say yes, with a few small caveats.

The space your head is in counts! If you have always had the mindset 'if its not broken, then don't try to fix it' well, this and probably ANY new strategy is not going to work for you. There has NEVER been a period in the history of the sign and print business worldwide where the changes are so rapid, so dramatic and the project lead time reduced to the point of lunacy. If you fail to recognise that – don't consider sacking customers. Tragically, may I suggest over the next few years they will more than likely sack you!

Moving to Understanding change: The process in all honesty, has always been there. Search the web for the "sigmoid curve" or email me and I will send it to you. It could be described as the ability to observe subtle changes in the market place and react accordingly. The need to change and improve is inevitable, when you choose the time, reasons and methods of change it is considerably easier than being forced to!

Or simply put if you don't choose to move forward then inevitably you are likely to be standing still. I suggest in the volatility of todays market place – that is either going backwards or at least will lead to tragic consequences. Sure, there are options and recognising the nuances' in your business is very important.

### Summary and How to develop change in your business

We have developed a support worksheet and poster called "Innovate or Perish?" In a couple of pages of actions, steps and probing questions that are aimed to offer a step up to assistance to get your business on track. The worksheet is available free to the first 10 people who email [john@controlzone.com.au](mailto:john@controlzone.com.au) and we offer a 25 percent discount on our full or half day snap shot – call us now on free call 1300 546 276

trusting you for guidance and assistance in the selection of the best sign or print product for the project they in fact see your business as an extension of theirs.

### Proof is in the results

In as little as a few weeks, the proof was clear. In the months to follow our greatest reaction was that of 'why didn't we do this years ago'. Then, the end of year figures showed an increase in net profit to over 25 percent and importantly our workload was noticeably lessened. It was almost unsettling and bizarre that turning away customers and defining with whom we wanted to work would deliver such great and positive change.

### Does this model suit everybody?

Well, it's a mind set and new direction for the confident you could say. However, may I offer a couple of case studies?

■ **Case One:** A regional Sign and Print business focused on building his business and was convinced that accumulating all the real estate agents work in his area was his ultimate goal. We looked at the prices and processes for all his customers, defining not just price per Metre Square and how long the sign takes to build.

We looked at the overall components of the