

## What to Do if You Lose a Key Customer

Category: Sales

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One of the most easily identifiable risk factors facing any company is the loss of a major customer. It is one of the most alarming things that can happen in business but as with any risk factor, there are ways to minimize the risk beforehand and processes that can be implemented if it does occur.

In this article, I will look first at some things you can do to minimize the risk in the first place and then go on to look at how to react when it does happen to you. Planning ahead is critical but with a little effort the damage can be significantly reduced.

### Minimizing the Risk

Concentration risk is one of the first things I work on with new clients and we analyze the percentage of revenues represented by the largest customer and by the top five or ten.

Greater than 20% by one customer is cause for concern and that concern becomes more and more serious as the percentage climbs north.

The most obvious risk of one customer becoming too large in relation to your business is the impact if you lose them. It is essential to stay in touch with your customers, but generally speaking this is more important to you than to them. It is up to you to drive communication through a systematic retention process that includes:

- Developing a customer contact program. Create three categories of customers based on size and value, establish a meeting plan template for each category and then apply it to individual customers.
- Look out for risk factors in an individual account through a regular review of invoicing/activity. Create a system that will identify customers who are buying less/using less services than they used to and proactively contact them to ask why.

More subtle, but potentially just as damaging, is the effect a large customer can have on the rest your business. I have seen numerous instances where the customer becomes more and more demanding, less and less profitable, and stifles the ability of the business to grow in other directions.

Sometimes saying “no” to a client is better than taking more of their business. When the customer becomes too important, the tail starts wagging the dog. While losing them seems unthinkable it is sometimes the best thing that could happen.

It is always better to do it on your terms rather than theirs and even if you aren't prepared to let them go, a “what if” analysis that calmly identifies how you would react is highly beneficial. The greater the concentration risk the more important it is to carry out this exercise.

### Reacting when it happens

When you do lose a significant customer, swift reaction is obviously important. You need to take

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immediate action to gather information and address any weaknesses that you discover in your organization. The first things you should do are:

- Get a meeting with the customer to ask why and see if there is a way back – either now or in the future.
- Carry out a post mortem on why you lost them and resist being defensive
- Arrange to meet your 10 largest customers face to face – wherever they are
- Develop a story about why you lost the customer in case it leads to speculation in the marketplace.

Having planned defensive action to ensure that this is not the start of a bigger problem, the next task is to assess the impact on the business and to figure out what steps you need to take to handle it. The mechanical steps are:

- Review the sales pipeline to identify how long it will take to replace the lost revenue.
- Review financials to see what impact the loss will have on profitability and cash flow
- Identify cuts that you can make to reduce the financial impact – and make them quickly.

More importantly, this may be an opportunity to review your business model, make some radical changes and get rid of some dead wood. Whatever you do, you must communicate with the entire company as quickly as possible. Bad news travels quickly and in the absence of concrete information your staff will fill in the blanks and infer the worst.