



How Your Clients Can Say “Goodbye” to Bad Client Relationships

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At one time or another, most businesses have had a client they wish they'd passed on. These are clients that end up being more trouble than they're worth. Maybe they expect the business to perform the impossible ... or make unreasonable demands ... or don't pay their bills on time ... or don't follow through on their part of the relationship ... or are always asking for a lower price. Or maybe they are just plain old unpleasant to deal with.

Things often reach the point with such clients where both the business and the client are better off terminating the relationship. But it's usually not as simple as just telling the client “You're fired!” Your clients need to be very careful in terms of how they handle these situations — if they aren't, they can come back to haunt them later in ways they never might have expected.

Negative Impacts of Bad Client Relationships

Businesses can suffer a wide range of negative impacts from working with clients that end up not being a good fit. These include:

- Higher costs and lower profits
- Frustrated and frazzled employees
- Lower employee morale
- Bad public relations
- Negative word of mouth in the industry and among other prospects
- Difficulty providing service to good clients

If any of your client businesses ever reach the point where they are experiencing any of these negative impacts in working with a client, you should encourage them to think seriously about terminating the relationship. Pruning their client list by getting rid of clients that aren't a good fit can yield many benefits:

- It will free up more time to spend working with other clients that are a better fit — and more time to spend looking for more clients like this.
- It will keep profit margins high and costs low as these unprofitable, high-cost clients are purged from the rolls.
- Employees will be happier and less stressed in their jobs.
- The business will enjoy positive word of mouth and good PR from satisfied clients.

But how, exactly, should your clients go about the process of “firing” their bad clients? Very carefully. If not handled properly, “firing” a client can end up causing more problems than it solves. It's usually best to be upfront and honest with the client about the problems the business is encountering. Your client should lay all the cards on the table and explain to their problem client in detail why the relationship isn't working.

Salvage or Make a Clean Break?

This meeting can serve as one final opportunity to try to salvage the relationship, or your client might prefer to use the meeting as an opportunity to make a clean break. If it's going to be a clean break, your client should determine this before the meeting and have a firm plan for how the break is going to occur. For example, are there any existing contractual obligations with the client? If so, how will these be fulfilled?

Your client should try to keep the meeting as cordial and professional as possible, sticking to the facts without making accusations. It's easy for emotions to boil over in a meeting like this and for things to get heated and ugly. But getting into a fight or argument will only serve to make things worse and poison the water — making it difficult, if not impossible, to terminate the relationship in an amicable way.

Once the relationship has been terminated, your client should next focus on not taking on any more clients they later regret having. Here are three ways they can hopefully avoid this situation again in the future:

- 1. Define what is the “ideal” client for them.** Your client's management team should paint a detailed picture of what their ideal client looks like. Then any new prospects should be compared to this standard to see how they measure up.
- 2. Perform more and better due diligence before taking on new clients.** All clients are not created equal. The only way to separate the “good” and “great” clients from the clients that fall short of these standards is to perform detailed due diligence before taking them on.
- 3. Learn how to say “no.”** Saying “no” to a new client who is ready and willing to pay money for a business' services can be a tough thing to do — especially for companies that may be struggling to gain new clients. But saying “yes” to a client that's a bad fit is even worse in the long run.

Concluding Thoughts

Most businesses eventually end up working with clients they wish they'd passed on. This can lead to lower profits, frustrated employees, bad PR and word of mouth, and difficulty serving good clients. It's often better to terminate these kinds of client relationships, but this needs to be done very carefully. It's usually best to be upfront and honest with the client about the problems and lay all the cards on the table. Once these relationships are terminated, your clients should then focus on not taking on any more clients that they will later regret having.

About CFO Edge

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