

# Losing top customer not always the end

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Peter Weinstein didn't see it coming. His \$17 million company, Zebra Hill Marketing Inc., based in Bellevue, Wash., had been thriving for seven years.

Then last fall, Microsoft Corp., a customer that had represented a little more than half of Zebra Hill's revenue, took its business elsewhere. In less than two weeks, Weinstein was forced to lay off his 50 employees and close shop.

"It was like losing a child," said Weinstein, who had worked with Microsoft in the job he held before starting his business. "Devastated would be an understatement of how I felt.

"I was involved in the Windows 95 launch and other Microsoft product launches. I was totally loyal to them."

Zebra Hill, which sold promotional merchandise, lost Microsoft's business when the software company decided to centralize its purchasing organization, said Weinstein.

As the shock set in, Weinstein engaged in plenty of Monday-morning quarterbacking--wishing he had given his sales representatives incentives to cast their net wider and regretting that he let others talk him into expanding his business. But he also wasted little time in enlisting his attorney's help in deciding whether his company could survive.

"They saved our rear ends by providing objective information that helped us make appropriate decisions," said Weinstein.

That information included laying out worst- and best-case scenarios and advising him how to minimize the company's bankruptcy risk.

When half of your revenue disappears, slashing expenses becomes a top priority.

Consider subletting part of your office space and giving up the company car. Lay off employees, giving them the best severance package you can afford. Offer to write your employees letters of recommendation. If possible, refer them to businesspeople who may be hiring.

Marc Kramer, a marketing consultant in Downingtown, Pa., and author of several books,

including "Small Business Turnaround," was faced with having to lay off nearly half of his 30 employees when a multimedia company he owned lost its biggest client.

Rather than severing ties with those employees, "I turned them all into `1099 employees' and let them get additional business on the side for themselves," he said, referring to the tax form 1099, which is used to report certain types of income such as from freelancing. To further cut costs, the company gave up its office and became a virtual enterprise, with everyone working out of their homes.

If you don't have enough cash to keep even a drastically downsized company intact, be honest with your creditors and ask whether they'll work with you.

"Your creditors want you to stay in business, so if they can help you from a cash-flow standpoint, it's very possible that they will," said Raman Chadha, associate director of the Coleman Entrepreneurship Center at DePaul University.

If your loss isn't immediately reflected on your financial results, you may qualify for a line of credit or another source of financing that will help pay the bills.

Stephen Fairley, a Chicago-based business coach and president of Today's Leadership Coaching, recommends gathering your company's sales, marketing and senior leadership teams for a daylong brainstorming session.

Near the top of the agenda should be identifying your target market.

"The biggest mistake small-business people make is not targeting the right market," he said.

Look at where your client base came from and what benefits you provide them. To generate some income to help offset your recent losses, market your products or services to multiple smaller customers by using the strategies that helped you land the big customer you just lost.

Let your employees know that the company needs new customers immediately and offer them a commission for any new accounts they bring in.

Also ask your clients for referrals, but position your request in the most positive way possible.

"You don't want to come across as desperate," said Chadha. "You might say, `I've completed a long-term project for a client, and I now have the capacity to take on some new business.'"

If your emergency marketing efforts work, you could find yourself in the ironic position of attracting more business than you can handle, especially if you have let most of your employees go or were a sole proprietor.

To remedy that, consider subcontracting a portion of your work.

"Have a core group of professionals you can count on to work for you. When their contract ends, you don't have to worry about letting them go and paying unemployment insurance on top of that," said Kramer.

While you're implementing practical measures to move your business forward, don't be surprised if your thoughts keep spiraling backward.

It's normal to want to analyze your interactions with that dearly departed customer in hopes of gaining some insight into how you could have avoided losing their business.

Fairley suggests asking your former customer what you could have done differently, and whether there are any circumstances under which they would work with you in the future.

It may be an uncomfortable conversation, but, said Fairley, "it's important to understand if the problems were external--that is, due to an industry slowdown, or financing they expected that didn't come through--or if the problems were internal--such as your product not being good enough, or your account manager not being attentive enough."

If customer service was a factor, immediately upgrade that part of your business. Retrain your account managers and others involved in customer support. Authorize them to offer price breaks or payment plans to customers who are wavering.

Encourage your salespeople to take customers to lunch, and ask them how their company and department are faring. In addition to helping you respond better to your customers' needs, you're less likely to be caught off guard by a customer's business reversals.

Also stay in touch with key customers. That is one lesson Weinstein learned.

"As the company got bigger, I had less interaction with my customer base. When I contact previous Zebra Hill customers now, it's eye opening. Some of them don't know who I am," he said.

Weinstein also learned the value of taking time to contemplate his next move. After closing Zebra Hill, he went to work for a marketing firm but quickly felt miscast.

"They wanted me to be a professional cold-call sales person, and I'm a marketing guy," he said.

From talking to others, Weinstein said he realized it's not unusual for people to make quick, irrational career decisions after experiencing a dramatic business reversal.

"It's better to take time and really monitor what you do best," he said.

For the time being, Weinstein is doing consulting work, but he's contemplating a new offer.

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### **Revenue will provide clue**

If more than one-third of your revenue comes from one client, consider it a warning sign that you need to diversify your client base. "It's not a matter of if, but when, your biggest client will walk out the door," said business coach Steven Fairley.

Some measures you can take to diversify:

- Commit at least 15 percent of your annual gross revenue to maintaining a strong marketing program.
- If you have a sales organization, give the staff incentives to bring in new customers rather than simply focus on current customers who routinely place new orders.
- Turn down business from a major customer if that's the only way you can grow.
- Trim your expenses to compensate for possible lost revenue while you prospect for more clients.

--Judy Artunian