



Could your business cope with the loss of a key customer?

When running your own company it's great when a large customer comes along, bringing stability and enabling growth.

However, it is important not to put all your eggs in one basket, relying on one or just a few customers to keep your business afloat.

Ideally you should assess just how big a percentage of your turnover do your largest customers hold? For example if one customer represents over 20 percent then the impact of them leaving is highly significant. However if your customer base is spread out and the percentage of revenue per client is relatively small then obviously the impact is substantially less should one decide leave.

There are many reasons – some in your control and some out of your control – that can lead to the loss of a major customer. If one of these customers decides to leave, you need to find out why in case it is something you can salvage, such as negotiating a different pricing structure. If it is due to, for example, poor service levels, then improve your processes so the issue doesn't arise again with another customer.

The initial loss of revenue can cause panic but don't rush into making decisions. A review of your cashflow and sales forecasts will show your upcoming expenses and help you work through the problem. Take stock of the situation in order to identify all the information you require to plan if expenses can be deferred or reduced. It may even highlight areas to help improve efficiency in the long run.

It is important that your staff also understand the situation as morale may falter if they fear repercussions. Likewise this would also be a good time to audit your other customers to make sure they are happy and this also helps to maintain good customer relationships. It is fundamental to stay in touch with your customers as, generally speaking, this is more important to you than to them – so be sure to drive the communication process. By regularly reviewing your customer base it is also possible to identify clients who are buying less than normal – you can then proactively ask them why in case it is something you can work together on. Although this is quite obvious, the loss of a key customer should also act as an impetus for you push sales to your existing client base along with trying to attract new customers.

If you find yourself in this scenario we would recommend that you speak to your accountant who can offer business and financial advice – especially if you may need to raise additional funds or are concerned about it leading to insolvency.

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