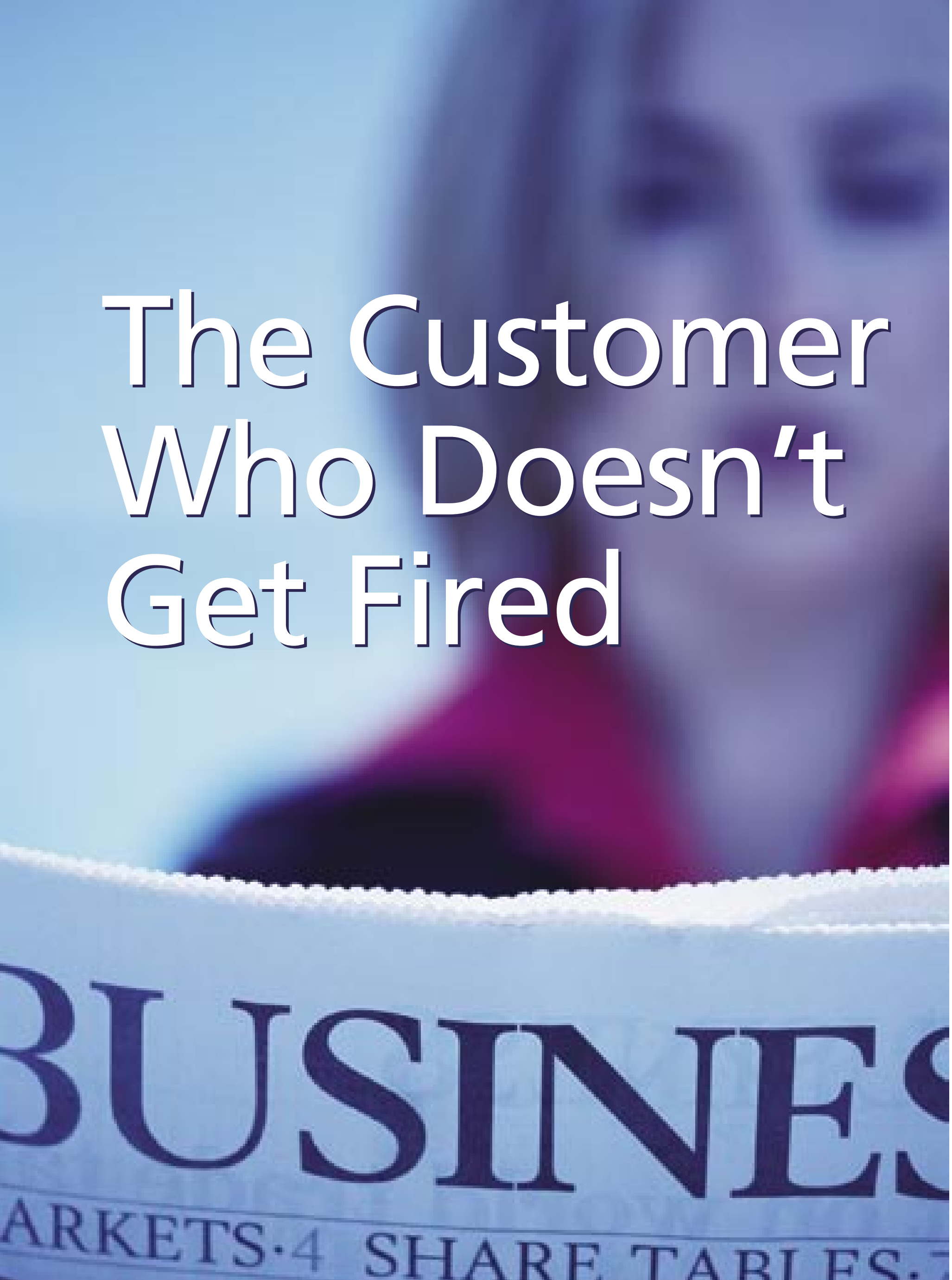

The Customer Who Doesn't Get Fired

It is you, the customer, who sets the ground rules, defines success, and properly allocates risk. Unless you do your job well, vendors will not want to do business with you.

BY THOMAS REID

About the Author

THOMAS REID, CPCM, FELLOW, is chief problem solver for Certified Contracting Solutions, LLC, based in Denver, Colorado. He is a member of the Denver Chapter and a past member of the NCMA National Board of Directors. Send comments on this article to **tom@certifiedKsolutions.com**.

Last month we talked about the need for some businesses to "Fire Their Customers" (*CM*, December 2005, page 6). This month we take a look at how *not* to be the customer who gets fired. Losing a supplier or service provider unexpectedly can be disruptive, so it can be a wise business tactic to make sure your vendors and suppliers see you as the valuable customer you know you are. How do you do that?

One of the primary points of last month's article was that, as a seller of goods and services, it is important to develop a relationship with the customer and not focus solely on the immediate transaction. The value of a customer should always be measured by the long-term revenue that can result from repeated and sustained transactions. Without a solid relationship, that customer can be lost. The same is true from the customer's perspective. Developing a solid relationship with your suppliers and service providers allows you to help them help you. The greater the value that your suppliers and service providers give you, the greater the value you can pass on to your customers.

Everyone in commerce is both a buyer and a seller. Even if you have limited yourself to selling your own hours and nothing more, you still buy office supplies, telephone service, and you probably have a Web site. So, the rules that apply to maintaining a solid relationship with your customer should be easily translated into having a solid relationship with your suppliers, whomever they might be.

Those customers who do not get fired may have a worse fate. In a survey conducted by NFI Research, the worst customers will receive the worst treatment and the worst pricing. In that survey, 90 percent of the respondents said they do not concentrate on serving their worst clients, and 95 percent said they do not offer their best pricing.[1] A slow death can be even more painful.

The starting point for developing a relationship is to make sure both parties understand the intrinsic value of the relationship. Trust must be earned. It is, however, indispensable in any long-term relationship. When a problem arises, and they will arise, this level of trust will aid in the resolution of the issue. Without a relationship to support the transaction, people will be tempted to write it off and simply move on to another partner.

The often overlooked but critical point is that it is the customer, not the vendor, who should set both the standards and the metrics that will be used to define and measure "success." Some transactions call to mind a need to paraphrase Supreme Court Justice Potter Stewart who said something similar to, "I may not be able to define success, but I know it when I see it." It is, however, the customer's responsibility to clearly state the measures of success through the contract type, the statement of work, the basis of measurement, and the rewards tied to meeting those measures. A number of contracting techniques can be used when charting uncertain waters. It might be appropriate to initiate a simple time-and-materials contract to better define what can be accomplished. Once both parties understand the scope and the risks, a more comprehensive contract can be considered that capitalizes on the lessons learned in the first phase. Another technique might be to use a fixed-price redeterminable contract, either retrospectively or prospectively. In this way, the parties can share the risk while having predetermined milestones where the performance can be evaluated and, if necessary, redirected. In any case, vendors have a right to know how they will be evaluated, and it should never be on the basis of undisclosed criteria. Likewise, in developing the relationship, the vendor should be made aware of any process you might use when deciding to continue or expand their role. Constant dialogue and communication can avoid surprises for both of you.

As in any relationship, effective and efficient communication is necessary. Customers should let vendors know when their expectations are not being met. Educate them on how to work with your company. This assumes, of course, that you as a customer know how to achieve that. If not, you should learn. The customer should also be eminently clear on their own expectations, and those expectations must be realistically achievable. Too often customers try to shift an unreasonable level of risk to the vendor. Sadly, this is often seen with the large company customer when doing business with the small business vendor. Selecting an inappropriate contract type, drafting an ambiguous statement of work, and using unmeasurable performance standards can all contribute to a vendor's failure to meet unstated expectations.

Clearly, the better that both parties understand the overall goals and objectives of each other, both in terms of the immediate transaction and as they apply to overall business plans, the better position they are in to modify their activities to further their partner's goals. When possible, these relationships should be forged at multiple levels. The goals and objectives of larger companies are not always identical at different management levels. Consequently, you can help your vendor serve you by recognizing these differences and, when possible, clearing up any ambiguities. Too often the customer makes it difficult for the vendor to maximize its value by having antiquated or inefficient processes internally. What looks like a vendor failure might be traced to conflicts in departments, lack of clarity in the process steps, or simply personality conflicts within the customer's organization. Many vendors have been blamed for these shortcomings that ought to be owned by the customer. If you are forcing your vendor to fathom a Byzantine labyrinth in order to serve you, they will get frustrated and fire you.

One definition of a contract is a group of promises that the law will enforce. When entering into a contract, both parties make promises to the other. Too often customers want to hold vendors to each and every promise they have made while not being willing to stand behind the promises they have made as a customer. You must promote an enforceable level of accountability for both of you. In this way, you will become comfortable betting a portion of your success on the vendor's ability to deliver on its promises. At a retail store, for example, when you buy a product that turns out to be defective, you expect the retail store to stand behind it. Generally, they do because they know you see them as the "face" on the problem. Today, with new items, especially those that say "some assembly required," the manufacturer will ask you *not* to return to the retail outlet, but to call a toll-free number so the manufacturer can correct the problem. If the vendor's system fails, you, as the consumer, will still fault the retail outlet. Thus, the retail store has bet a portion of its success on the vendor standing behind the promises it has made to the store.

Classic "Customer Maladies"

All customers occasionally fall victim to the three classic "customer maladies." These are selective perception, user error, and buyer's remorse.[2] Selective perception causes you to see the one dead tree in the forest. While a dead tree might be undesirable, to ignore the thousand live ones is unfair to your vendor. User error often arises from a lack of training. If this is a recurring problem, ask your vendor to provide additional training on its products. Most will, and many will do so at no cost—if you ask. Buyer's remorse usually derives from not entering the transaction with more or better information. Once this information becomes available, after the deal is closed, people tend to second-guess themselves. It's human nature. If the transaction is built on a relationship, however, a buyer should be comfortable talking with the vendor about the issues that are causing the remorse. Just remember that a deal is a deal, and your regrets give you no excuse to get out of the transaction without consequences. A healthy dialogue with your vendor, however, should allow you to find a solution if the decision was actually wrong. In most cases, however, buyer's remorse stems from a lack of confidence and self-doubt. Open dialogue with your vendor can usually ease the concern. Each of these three maladies can cause a vendor to fire you, so avoid them whenever possible.

In larger operations, the customer may have an entire team of people providing support from the vendor. In those cases, constant multilevel communication is essential. Let the vendor know clearly and immediately what it is that makes doing business with them more difficult. Give them a chance to fix it. Everyone has red tape, most of which is unnecessary. Work together to remove it on both sides of the deal. Work hard to understand what the vendor's support team needs from you to succeed. In fact, you should do everything in your power to make your vendor's team the absolute best it can be. In this way, it will attract the best talent.

Another very successful technique is to hold joint training and brainstorming sessions. Sometimes the jargon we use becomes such second-nature that we fail to recognize that others might not be understanding us clearly. Educate each other. In some cases, joint training sessions might be productive. If you are not prepared for that, then consider joint brainstorming sessions. As reflected in *Getting to Yes* by Roger Fisher and William Ury, while joint brainstorming may carry some risks, it is an excellent method for drawing out more ideas, which will generally result in better ideas from which to draw solutions. According to the authors, "Time spent brainstorming together is surely among the best-spent time in negotiation."[3] Remember that brainstorming is developing options, not making decisions about them. One natural fallout of such sessions is to encourage people to be open to more innovative or creative solutions. Ideas that may sound extreme in a vacuum can be more fully developed and lead to better solutions when explored through constructive joint brainstorming.

In a similar manner, joint training can provide a nonthreatening forum for discussion and can provide the participants a common basis for understanding. Whether the training is for the negotiation sessions or on a technical topic related to the transaction, time spent in a collegial environment tends to foster the relationship.

> "Internalize the 'Golden Rule' of sales that says, 'All things being equal, people will do business with, and refer business to, those people they know, like, and trust."
>
> — Bob Burg

The largest segment of the "trust" factor is honesty. Never lie to your vendor or fail to provide enough information that will prevent them from drawing a false conclusion. When you say something, make sure that you know it to be true. If you are not certain, then say that. In all cases, however, once you have given your word on something, keep it. Also, do not miss deadlines. Too many vendors have had to make up lost time that was consumed by the customer in reviewing or approving documents. This is an excellent example of where the Golden Rule applies. If you would not want to be treated that way, don't treat another that way. When developing a relationship with a vendor, be certain that your ethics are above reproach, and demand no less from the vendor. Do not use questionable negotiation tactics, do not lay traps to avoid payment, and do not blame the vendor when any of the fault for failure lies on your side of the deal.

Every businessperson appreciates a referral. If your vendor is providing a good product or service, tell others about it. If he or she is not providing a good product or service, tell the vendor. This does not guarantee that he or she will fix it, but unless you tell your vendor, he or she may be unaware of the shortcoming. No reasonable person demands perfection, but it is reasonable to expect that quick and careful attention will be paid to the imperfections once they are identified. Help the vendor identify imperfections. A customer who shares his/her concerns is not automatically a "bad customer" who should be fired. On the contrary, the wise vendor uses customer complaints to improve his or her service overall.

Finally, it is very important that every customer understand that profit is not a dirty word. The capitalistic structure of the U.S. economy, the only form of economy that can prevail, requires that a company make a profit for its efforts—certainly not an unreasonable profit, but a profit nonetheless. If you deny a vendor its fair profit, then the vendor is forced to either enter into a business transaction that does not make good business sense, or the vendor will cease to exist entirely. In the first instance, the vendor will fire you, and in the second, the bankruptcy court will. Either way, you lose.

Remember that it is you, the customer, who sets the ground rules, defines success, and properly allocates risk. Unless you do your job well, vendors will not want to do business with you. They will fire their customer, and you will be unable to fulfill your promises to your customers. ***CM***

Endnotes

1. Chuck Martin, "The Quest for Shiny New Customers," *Darwin Magazine*, **www.darwinmag.com**, (accessed on August 29, 2005). **www2.darwinmag.com/read/feature/aug05_newcustomer.cfm**.
2. This section is derived from various writings of Dr. Tony Alessandra whose publications can be found at **www.alessandra.com**.
3. Roger Fisher and William Ury, *Getting to Yes* (New York: Penguin Books, 1983), 67. (Originally published by Houghton Mifflin, Boston, 1981.)