



How to Fire a Customer

Firing a customer is never easy, but hobbling along with serious issues is going to do more long-term damage to your business and your team. When the time comes to break things off with a customer, there are some key steps you can take to make the process as professional and painless as possible.

First Steps

Ask yourself a few key questions to determine if it's time to say goodbye to a customer.

1. Are they profitable for your business? If not, could they be if you brought them up to your standard?
2. Are they valuable to your company? Consider their lifetime value:

$$\begin{array}{r} \text{Annual Profit per Customer} \\ \times \text{Average \# of Years They Remain a Customer} \\ - \text{Initial Cost of Acquisition} \\ \hline \text{Lifetime Customer Value} \end{array}$$

3. Are they impacting morale at your organization?

Even if the answer to the first two questions was no, if the third answer is a resounding yes, it's time to dig in and get the ball rolling on finding a new provider for your customer. Once you decide to move forward, here's a list of steps.

Next Steps

1. **Have a conversation with your employees.**

Don't stick to just your managers; touch base with the rest of your team too. If they could get rid of three clients today, who would they be? Why? Get these answers from your:

- Technicians
- Finance
- Sales
- Leadership

If your team decides the relationship is salvageable, head to the next step. If not, skip to Final Steps.

2. **Communicate with your customer.**

Set up a meeting with your customer to lay out the issues honestly and directly. Give them an opportunity to fix the situations and explain your business model. Common issues are:

- Failure to upgrade systems
- Interpersonal issues
- Delinquent bill payment

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Set clear expectations. If your customer fails to make the changes you've outlined in the initial conversation, it's time to let them go.

Final Steps

1. **Schedule a meeting and lay the groundwork.**

Be direct and say something like, "I know you're not going to like this meeting, but we will be extricating this relationship on our 60-day-out clause due to issues outlined in our previous meeting that have not been addressed or corrected."

2. **Review previous conversations.**

Avoid using emotion. Rely on facts, data, and records. Be open, honest, and factual. For this second meeting, come prepared with:

- a. Records of previous conversation about the issues
- b. Reports that outline the issues, including service ticket volume, profitability, etc.

3. **Help them become a better customer for future providers.**

Continue to discuss the changes they need to make so they can have a more successful relationship with a future provider. Remember that referral business is the most valuable, so this step is an important part of maintaining this relationship once your contract ends.

4. **Contact competitors.**

Reach out to your peers and give them the information about this customer. If they are interested, create a list with the following information:

- a. Company and contact name
- b. Business location
- c. Phone number and email address

5. **Support them in moving to their new MSP.**

Be responsive with your customer and the new MSP. Provide any data or information that could make the transition smooth.

6. **Invoice through the end of the relationship.**

Be very clear that for the length of your out-clause (60 days is common), you will continue to support them, and you'll work with them to make the transition as seamless as possible. Once the relationship has terminated, invoicing will also stop.

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