

Weathering an Economic Storm: *Learning to Deliver Bad News to Your Customers*

If you've ever been on a small plane in a thunderstorm, you know it can seem as though external forces are in control of your destiny. You can only hope the pilot has the skills to navigate the bad weather and put the plane down gently on the runway.

Working in sales in our current economic climate can feel a lot like being on a plane in a storm. Bad news may seem to flash and boom with every pronouncement from the head office. One of the biggest bolts of lightning threatening to wreck sales careers is the rising cost of products and services. Sales executives across the country are scrambling to deliver this bad news to their customers, without losing accounts.

Perhaps you're sitting right now at your desk, wondering how to have that difficult conversation with your best customer. Here's a ray of good news shining through the clouds—with a little coaching, your relationships with your customers can actually weather this economic storm and come out on the other side, even stronger.

Dead Trees Burn Faster

Carrying our storm metaphor a bit further, picture in your mind what happens when a dead tree is struck by lightning. The dried limbs and branches explode into flame, and the whole tree is consumed pretty quickly. A living tree, on the other hand, may lose a limb or two, but it probably won't burn to the ground.

Now, picture your relationship with your best customer. Is it a living, thriving entity which allows the needs of both companies to be met? Chances are, if this customer represents a healthy part of your income, you speak with them often and are comfortable discussing most topics.

For that reason, this piece of bad news about rising prices doesn't have to represent a fatal flashpoint in the relationship. Plant solidly in your mind right now the notion that, even in a tough economic climate, you can work with your customer to develop strategies that are mutually beneficial. That will be root of every relationship skill you employ to deliver your difficult news.

Before we move on to the nuts and bolts of maintaining customer relationships through economic storms, we must take a brief side trip to examine something a little more personal. The sales professional who successfully weathers difficult financial times is the one who has the internal strength already in place to do so, because they aren't afraid to admit they need help. Deep self-awareness is the basis for true relational success, whether with customers or your life partner. Knowing that you have difficulty communicating bad news, for example, opens the door to asking for help in doing so.

The fact that you are reading this report tells me that you know you need help delivering negative information to a client. That's great! The professional who admits weakness can be coached to succeed. "Bulling up" in the face of difficulty and refusing to acknowledge your own insecurity about the outcome slams the door shut on the opportunity to succeed. Managing our own emotions and admitting the places where we need assistance helps us to become stronger sales professionals.

Now to the good stuff! Here are some key thoughts to keep in mind as you're preparing to deliver bad news:

- **People are more important than prices:** You've done some hard work to build the kind of relationships with your customers that keep them coming back to buy your products. Don't lose sight of those connections as you communicate hard news such as a price increase. If you're nervous about how this will impact your income, imagine what the customer's going to feel. Your primary mission, of course, is to help *your* company weather the storm by maintaining sales at an increased price. But without continued customer relationships to insure those sales, what's the likelihood that's going to happen? Using your emotional intelligence to maintain empathy with your customers, regardless of the topic you're discussing, is one of the ways you can protect those bonds.

Consider what's going through the customer's mind as you're telling them your products will now be more expensive to buy. What is the likely impact on his career, and on the viability of his company? A fatal mistake some sales executives make in delivering difficult news is trivializing the blow to the customer. Approach them from a point of empathy, if you plan to keep the relationship intact.

- **Increased Service Softens Increased Prices:** To keep that empathy finely-tuned, imagine yourself on the receiving end of a major price increase from your cable television provider. You open the mailed announcement and experience shock as you realize your family budget may not stretch to continuing your cable service. Before you break the news to the kids, you call your cable provider on the off chance this is a hoax. What are the ways that difficult conversation can go wrong? Being put on hold interminably is a definite temper builder. What about reaching a customer service rep that could care less that their company has blown a hole in your budget?

We all know that shoddy customer service kills the client base even when prices are low. So let's agree that great service, especially in the face of a price increase, cements trust and enables you to stay connected to your customers. A note here about great service—it can't just come from the sales department. In the volatile markets we're all experiencing, a rude receptionist or lackadaisical fulfillment department can demolish the relationship-building work of any sales staff. Customer relationship management must be a cultural imperative in organizations that hope to survive a tough economy.

There's another layer to great customer service that begs discussion. Responding to requests from customers with empathy, courtesy and respect is step one in maintaining a strong customer relationship. Step two is helping to create solutions which benefit both you and the customer. How can they maintain the current profitability of *their* products when you, as a primary vendor, have delivered a significant price increase? Helping them find ways to do so requires deep knowledge of the customer's industry, and their particular operation. This is the time that you, as their trusted account executive, get your hands dirty by walking with them through their manufacturing facility or distribution center, brainstorming ways to minimize the negative impact of your company's price increase.

That sincere interest in the continued viability of *their* company is what will keep their doors open to your products. There may not be a great deal you can do to help them cut costs, but making the effort to do so will go a long way to keeping the account afloat.

- **Set the Stage:** In many situations, indicators that effect pricing begin to appear long before an increase becomes necessary. In a well-run sales organization, management is talking to sales personnel about coming changes well ahead of the fact. Except when a catastrophic event, such as Hurricane Katrina, has a sudden and devastating impact on prices, you should be able to set the stage with customers by beginning to discuss the changing markets, decreased availability of raw materials, or whatever it is that could result in future price increases. Hearing suddenly about a major price increase is as shocking as a bolt of lightning out of a clear blue sky. Watch for signs, ask questions of management, and set the stage early to deliver difficult news to customers.
- **Honesty is Never a Mistake:** Let's go back to our 'plane in a storm' metaphor. Suppose the pilot realizes an engine has been struck by lightning and an emergency landing is imminent. In a small plane, the passengers already know that something has gone badly wrong. The pilot has the choice whether to downplay the coming risk or communicate the truth in a way that shows leadership ability. Here's what I mean by that—a pilot who isn't afraid to take control of the situation enables his passengers to prepare for a dangerous landing. Emergency procedures can be communicated and the safety and well-being of the passengers can be planned for, as much as possible. A pilot who possesses great technical skills but has lousy leadership technique may not choose to talk to the passengers at all about the coming rough landing, leaving them to wonder whether they're going to survive.

As a successful sales account executive, you already know that you must be the one who communicates bad news, especially to your best customers. Avoiding that task, or actually denying that bad news is in the air, is a career killer. Your customers are intelligent business people who know which way the wind is blowing. Honestly approaching the subject, without casting the blame on 'someone higher up', empowers your customers to speak frankly to you about the impact that news has on their profitability. As in a bad marriage, dodging difficult subjects usually leads to relational disaster. Tell the truth and be prepared to help find solutions.

- **Keep Moving Forward:** While we've been stressing the value of empathy in keeping the communication with your customers flowing, it bears mentioning that 'over-empathizing' isn't particularly helpful in resolving the problems caused by your bad news. Getting your hands dirty helping your customers look for solutions isn't the same thing as rolling in the mud with them. You've told them the truth, you've expressed your desire to find ways to keep both supplier and customer operations afloat, so now keep going. Taking a step backward by continuing to commiserate about the situation delays a successful outcome.
- **Keep Bad News in Context:** It may seem to your customers that they're being singled out by a vendor when an account exec delivers bad news. Coach them past a victim mentality by presenting the bigger picture of what precipitated the bad news in the first place. This is where your own social awareness comes in handy. Most potentially devastating news can be placed in the context of larger problems in society. I'm certainly not advocating passing the buck. We've already discussed the importance of owning accountability for the impact this news may have on your customers. It is, however, good salesmanship to present the whole picture to the customer.

Here's an example: Your tire manufacturing company is negatively impacted by the rising cost of carbon black, a key raw material for your product. That rising cost is directly attributable to the overall increase in petroleum products in the U.S. As a socially aware sales professional, you've researched the market factors which drive that increase. Your best customer is a nationwide chain of tire outlets, and the news that your tires will be 20% more expensive next month has a tremendous impact on their bottom line. They're facing decisions about purchasing, inventory and passing along the price increase to their own customers.

In the very first conversation about the price increase, you can help them put the bad news into a larger perspective by giving them all the information they need. Here's a poorly-planned delivery of bad news with a tight focus on your own company, "Man, the guys upstairs are killing me! They told me to let you know our entire line is going up 20% at the end of the month. There's nothing I can do about it, sorry." Do you see how the customer might feel that they're being singled out for a price increase by your company?

Instead, try to broaden the picture so that the customer keeps the news you're delivering in the perspective of larger issues. "I wanted to let you know as soon as possible we've had word from our carbon black supplier that they're raising our cost quite a bit at the end of this month. What that will mean for you is that our tire prices will have to be adjusted up 20% to cover the increase. All of our customers will be seeing the same price adjustment. They tell me in the front office that as soon as the oil prices stabilize, we'll discount the best selling lines to give you guys some breathing room. Now, let's talk about ways we can lessen the blow to your customers." The only caution I have for you here is that this is no time to promise 'blue sky'. If there's a price reduction possible in the future, that should be communicated, but be sure of your facts before you speak.

By communicating the price increase in the context of world oil markets and future discount possibilities, you've moved the focus from 'we're going to charge you guys a lot more' to 'we're in this together'. From a customer perspective, isn't that what you need to hear from your vendor representatives?

- **Creative Empowerment:** One more way you can help your customers weather negative news is by giving them permission to be creative. Huh? That may sound patronizing, but in fact, it is one of the most empowering relationship-building skills you can develop. Here's how the creative process comes into play in a tense situation with a customer—you take the time to listen to their response to the news you've delivered, then immediately begin to steer them toward possible ways to mitigate the damage.

As possibilities begin to emerge, perhaps in order timing, inventory shifting or the way in which increases are presented to their customers, your role is to encourage *their* creative solutions. It may seem like a good time to be the hero and 'rescue' them from the coming plane crash, but if you're truly interested in strengthening the relationship, you're going to facilitate their creative process, rather than taking the credit.

Once again, look at the situation from the customer's perspective. They can either tell their manager that the vendor is raising prices but the account executive has found a way to soften the blow, or they can show their manager the solution *they've* created to lessen the impact. Make suggestions, encourage their creative thinking, and allow them to be the hero.

Does that seem manipulative? Think of it this way, if you're the hero that got them through the crisis, their manager is looking past them to you. Now consider who controls future orders to your company. It's probably not the manager. If you plan to maintain a long-term relationship with this customer, allow your contact to be the problem-solver. They'll remember that you did, and your future sales will probably reflect their appreciation. Here's the nugget to remember: by putting aside your own needs in any relationship, you elevate the level of trust from the other person. The sacrifice you make today is going to be rewarded by the customer's increased loyalty.

Putting it All into Practice

So here's the bottom line—you don't have to put any of this into practice. If your management has instructed you to communicate bad news to your customers, you have the option of sending them all an impersonal letter to do so. When the irate calls start coming in, you could disavow any responsibility, or better yet, simply avoid their calls. They'll calm down eventually, right?

But you know better. In nearly every industry sector, there are plenty of other places a customer can go to buy products similar to yours. Even if they pay more for those products, having an account executive that is responsive to them may be worth the price.

The good news is that bad news doesn't have to derail your sales career. If you've developed the critical skills to build strong customer relationships, those bonds will hold firm during difficult conversations. By addressing the needs of the customer first, you'll create an environment in which your company's needs will also be met.

One final thought: In the wake of any disastrous situation, what's remembered longest is the sacrifice of individuals. Be prepared to share your parachute with your customer when rising prices or disastrous market forces threaten to bring down the plane. Weathering the storm together will strengthen your relationship exponentially and that will translate to more sales, and more income, for you.