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Nightmare on start-up street: Dealing with customers from hell

Tuesday, 12 March | By [Alexandra Cain](#)

Richard Burne, founder of PR and marketing business Max&You, has the ultimate nightmare client story.



When a friend first introduced him to his client, little did he know he would end up taking the client to court, a process that would end in liquidation of the client's business.

"The business was a start-up with grand plans. We did a load of work on the basis of a verbal personal guarantee and the promise of a deposit of a third of the value of the job before the launch event we were organising," explains Burne.

"We were happy with that and went ahead and did the work. But the money wasn't paid. The client said they needed a few more weeks to pay. That went on for a year, with us constantly chasing the money and with no indication there was any issue with the work we did," he says.

Eventually the client got his lawyer involved, at which point he said he wasn't happy with the work Max&You did. Burne says the quality of the work he did was more than adequate.

"The launch event was a raging success. We had 1,500 people show up and all the major players in the industry were there, including lots of media. Plus we provided content for the web site."

When the case eventually went to court, Burne could prove he performed the work that was agreed because he had a signed contract that detailed what Max&You had said it would do for the client.

Don't be afraid to get legal advice

But now he would always have a lawyer review any contract signed between him and a client and also ensure he had a written personal guarantee from a client that was also a start-up.

The debt was referred to credit bureau Dun & Bradstreet for collection, which eventually commenced winding up proceedings against the client. Burne says if he had his time again he would have gone down this path much sooner than he did.

"When you're going legal you need to choose your battles and make sure it's a business decision, not an emotional one, and that you have full documentation to support your case," he advises.

Jo Ucakalo is the CEO of Handle My Complaint, which assists businesses to avoid and resolve complaints. She says there are a number of different steps start-ups can take to deal with complaining and nightmare customers.

"Complaint resolution is a skill that can be learnt and developed with practise. What's more, every complaint presents an opportunity for business improvement," she says.

To reduce the risk of nightmare customers impacting the business, Ucakalo advises start-ups to recruit staff for their customer service skills, train staff how to handle complaints and empower staff to resolve disputes.

She also says practising active listening, acknowledging the complainant's emotions and taking responsibility if the business is at fault are other ways to reduce the risk of nightmare customers destabilising the enterprise.

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Savvy customers keep businesses alert

Another business that has experience dealing with nightmare customers is marketing consultancy In Marketing We Trust. Frederic Chanut, managing director, says the most common areas of dispute are delivery and quality of service. What he calls the 'it's not quite what we wanted' customer.

"Out-of-scope requests, mismatched expectations and unrealistic timeframes are other common areas of conflict," he says.

Chanut says customers are not becoming more demanding, but they are becoming savvier. He says this is generally a good thing for any service business.

"It leads you to constantly improve on quality and delivery. A demanding but fair client can bring you more business as it forces you to excel in what you do. A client who never complains and is always happy can bring out the worst in the business as you become sloppy and complacent with your results."

According to Chanut, to reduce the risk of customer complaints it's an idea to ask for client feedback as often as possible. Having them prioritise tasks in order of importance is another good way of reducing conflict.

His advice is to get in touch with clients on a weekly basis. "Even a quick phone call will save you a lot of time, rather than having to fix problems down the track."

Turn your customers into advocates

Chanut spends as much time as possible servicing clients to prevent customer service issues and to encourage clients to become raving fans of his business.

"This is critical for any start-up. The initial tribe of clients that wants to use your products or services will become your biggest marketing machine as they will become your advocates," he explains.

But, he says, if the situation is unsalvageable, you may have to let the client go.

"We had to let go of a client and I wish I had done it sooner. We looked at our overall cost – staff hours, tools, products, my own time – and realised we were making a substantial loss on their account every month."

"Only one out of every four invoices ended up being paid – six months overdue – and that was only thanks to internal allies within the company."

This situation had a serious impact on the business. Chanut had to cancel a project and let go of a staff. "Emotionally, I couldn't hire someone for a while even though I needed to."

If he were faced with this situation again, Chanut says he would have followed up invoices more promptly and been stricter about enforcing his terms of trade.

Deal with client criticisms before it's too late

As for responding to clients publicly bad-mouthing your business, Chanut says he tends "not to respond to trolls online and I think the same goes offline. The more you get involved, the more the conversation will be heard."

"If a client leaves bad comments online, the best method is to engage in online reputation management before discussing the matter directly with them and trying to resolve it either directly or through a lawyer. From experience, a mean letter from your lawyer can do wonders," he says.

Ultimately, says Chanut, good comments will bury bad ones and trolls can often transform happy customers into advocates.

"This is particularly important if your business operates in a small community where the disgruntled client is heavily involved."



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