

RISK AND RESILIENCE | QUICK CARD RR-01

The dependency check

Fifteen minutes, three percentages, and the questions a good coach would ask you.



The practice

Every business that sells expertise has a client it would rather not think about losing. It is usually the one that arrived early, grew steadily, pays reliably and is described as “a great client to have”. All of which is true, right up until the new finance director arrives with a procurement review.

Concentration can be efficient, but investors treat it as a risk and charge for it. Companies reporting under international accounting standards must say when one customer provides 10% or more of revenue: a reporting line, not a safe level, but a useful marker. Dependency comes in three forms: clients, people (including you) and suppliers or partners. Work out all three, then reduce one.

Your three percentages

Largest client's share of fees (its fees ÷ total fees)

Largest three clients' share of fees

Share of fees resting on one person's relationships (name them)

Share that depends on one supplier or partner (name it)

Profit at risk if the largest client left (its fees × your margin)

Months to replace it (fees at risk ÷ new fees won a year × 12)

An agency with £2.0 million of fees found its largest client was 28% of them. Losing it would cost about £252,000 of contribution, more than the agency's £180,000 profit, and take about 14 months to replace.

Try this this week

Divide last year's fees from your largest client by your total fees. Then work out how long it would take to replace that work at your normal rate of winning new clients.

Coach yourself

Set aside fifteen minutes where nobody can interrupt you, and answer in writing. An answer looks surprisingly different once it is on paper.

G

GOAL

If losing any one client would not keep me awake, what would that change?

R

REALITY

What are my three percentages, and what happened the last time I lost a big client?

O

OPTIONS

Which dependency worries me most, and what would a first step look like?

W

WILL

Which one will I start with, and who will update these numbers each quarter?

If you catch yourself saying...

You hear yourself say	Try asking instead
<i>"They'd never leave us"</i>	What would have to change at their end for that to stop being true?
<i>"I'd rather not know"</i>	What would knowing let me do?
<i>"We'll diversify when things calm down"</i>	When did things last calm down?

ONE HARDER QUESTION

How much of the business rests on my own relationships, and what happens to it if I am ill for three months?

Keep it going

Dependency creeps back in the good years. Give one person the job of updating the largest client's share each quarter and all three percentages each year, and put check dates in the diary: 3, 6 and 12 months from today.

When to get help

Notice periods are for your solicitor, and key-person insurance for your broker. If losing a client would leave you unable to pay wages or tax, talk to your accountant this week.

What a coach adds

This card gives you the questions. What it cannot do is notice which one you avoided. It is one of the SMARTer practice cards, covering the ten key areas of a business that sells expertise.



Talk yours through with me: book a Discovery Call at smarterentrepreneurs.co.uk

No pitch, no pressure, and you'll leave with something useful either way.