

Lots of companies face a peculiar problem:
how to get rid of customers.

Get lost, buster

By Scott Woolley

WITH PRICE INCREASES almost impossible to get, businesses are on an orgy of cost-cutting. Latest target: customers who cost more to handle than they are worth.

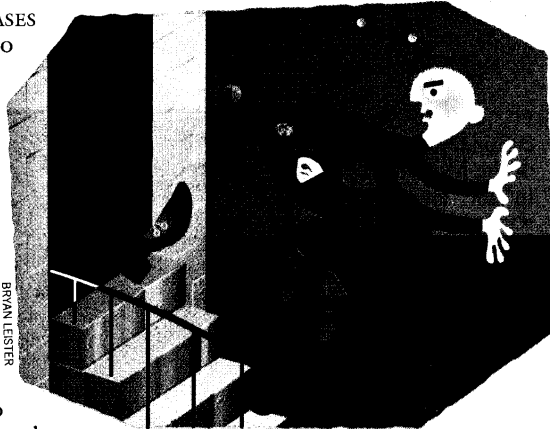
Call AT&T with a question about your long distance service and the company will route you to one of many different call centers. AT&T's computers use caller-ID to identify your phone number, then match it to your monthly bill. If it's high, you get what AT&T calls "hot-towel service"—human operators who stay on the phone with you. Spend less than \$3 a month and you get no such hand-holding—just more automated voices.

What if cut-rate service drives off lower-paying customers? So be it. AT&T loses \$500 million a year on its 15 million to 20 million "occasional communicators," who rarely make long distance calls yet cost plenty to acquire, bill and service.

"We've gotten a lot smarter about separating the customers we do want from the customers we don't," new AT&T Chief Executive C. Michael Armstrong says bluntly.

So have a lot of other companies. Mercer Management Consulting just completed a study showing that banks don't make any money on 40% to 50% of their retail customers. Credit card companies, clothing retailers and stock brokerages have big clumps of unprofitable customers.

How to make these customers either pay their way or go away? Just look at Citibank, which this month tripled minimum balance requirements, to \$6,000, for free checking



on many checking accounts. That may scare off many customers who typically maintain low balances but make lots of teller visits and write lots of checks. Others will pay the extra \$9.50 a month and gripe for a while.

Perhaps the biggest danger is that companies that put the squeeze on bad customers end up offending good customers as well. That's what happened at First Chicago three years ago when increased teller fees made the bank the butt of jokes on NBC's *Tonight Show*. But AT&T's Gail McGovern, head of the consumer markets division, says that AT&T's split levels of service have been so well-designed that they haven't affected customer satisfaction levels.

Many marketing types now craft messages that intentionally turn off unwanted customers. For example, credit card companies have learned to avoid using some types of low "teaser" rates, which attract the wrong kind of cardholder. Says the head of public relations for one big East Coast credit card issuer: "It's much smarter to avoid attracting bad customers in the first place than to try to find an acceptable way to get rid of them." ■