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COMMERCIAL BRIEFING · NO. 09

Too Big to Lose

When one customer is too big to lose, you don't own them — they own you. Here is the risk hiding inside your most reliable account, and how to defuse it.

A Moor & Co commercial briefing

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IN SHORT

A big, reliable customer feels like the safest thing in your business. It is often the most dangerous. When one or two accounts make up a large slice of your revenue, you have not got a customer, you have got a part-owner who does not pay for the privilege. They can lean on your price, stretch your terms, and put the whole business at risk the day they walk. This briefing is about spotting that dependency, seeing what it quietly costs you, and reducing it before the decision is taken out of your hands.

1. The comfort that isn't

One large, loyal customer feels like stability. The revenue is predictable, the relationship is established, and there is far less chasing than winning ten smaller accounts would take. It is no wonder owners come to lean on it, and quietly stop working as hard to replace it.

But concentration is not stability. It is fragility wearing a comfortable jumper. The right question is never how loyal that customer is today. It is a colder one: what happens to the business if they go? If the honest answer is "a crisis", then however good the relationship feels, you are carrying a serious risk you have chosen not to look at.

2. When a customer is too big, they own you

Size shifts the power, and rarely in your favour. A customer who knows they are a large part of your revenue also knows you cannot afford to lose them, and that knowledge sits in every negotiation. They push on price, because they can. They stretch payment terms, because what are you going to do. They ask for more, and you give it, because the alternative is unthinkable.

That is why your biggest customer is so often your least profitable, pound for pound. The very leverage that makes them feel safe is the leverage they use to grind your margin down. You end up working hardest for the relationship that pays you least well, and calling it security.

3. The day they leave

And they can always leave. Not through any failing of yours: they get acquired, they change strategy, they bring the work in-house, a competitor undercuts you, their buyer moves on. When a customer worth, say, 40% of your revenue goes, you do not lose 40% of your profit. You lose far more, because your rent, your wages and your overheads do not shrink to match. A business that felt comfortable on Friday is fighting for survival on Monday.

It is also exactly what a lender or a buyer marks you down for. Heavy reliance on one account is treated as a single point of failure, and it caps what your business is worth and what credit it can raise, long before the customer ever actually leaves.

4. How concentrated are you, really?

Most owners have a vague feeling about this and have never done the sum. It takes ten minutes. Work out what share of your revenue, and separately of your profit, comes from your single biggest customer, your top three, and your top five.

As a rough guide: no single customer above around 10 to 15% is comfortable. Above a quarter is a real risk worth actively managing. One customer at 40% or more is a business with a single point of failure, however healthy it looks. And the same test is worth running on the other side of the business, on a single dominant supplier, or a single sales channel you cannot afford to lose.

5. Why it is a profit problem too

Concentration and profitability are tangled together. Because your biggest customer is usually the one who has negotiated you down hardest, the headline revenue they bring flatters them. Load in the true cost of serving them, the discounts, the slow payment, the extra demands, and the anchor account is frequently propped up by your smaller, full-price customers. They are subsidising the giant, and nobody planned it that way.

Which means reducing concentration is not only about safety. It is very often about margin as well: the spread of smaller, better-priced customers you build to dilute the risk tends to be more profitable than the giant you were protecting.

6. Reducing the dependency

The answer is not to fire your biggest customer. It is to make sure that, over time, no single one can sink you.

- **Grow everyone else, on purpose.** Deliberately win smaller accounts until the big one is a healthy share, not a lifeline.
- **Make the giant earn their terms.** Stop automatically conceding on price and payment. A customer worth keeping will usually stay; one who only stays for the discount was never really yours.
- **Keep a real pipeline.** A steady flow of new opportunities is the best insurance against losing any single account. A business that is always selling is never hostage to one customer.
- **Watch the number.** Know your concentration, set a ceiling, and act when an account drifts above it, rather than discovering the exposure the day it bites.

7. A practical response

- **Work out your concentration** — the revenue and profit share of your top one, three and five customers.
- **Set a ceiling** — a percentage no single customer should be allowed to exceed.
- **Stop discounting your anchor** into your worst margin; check what they really cost to serve.
- **Win smaller accounts deliberately** to dilute the risk and lift the average margin.
- **Check supplier and channel concentration too;** the same single-point-of-failure logic applies.
- **Revisit quarterly,** because concentration creeps back as big customers grow.

A big customer is a good thing right up until they are the only thing. The work is not to push them away, but to make sure that the day they leave is a bad month, not the end of the business.

ABOUT THIS BRIEFING

Customer, supplier and channel concentration is a standard part of commercial and credit-risk assessment, and is routinely treated as a discount on value by lenders and buyers. The percentage thresholds given here are widely used rules of thumb, offered as a guide rather than a fixed rule; the right level depends on your sector and contracts. *General guidance only — not financial or legal advice.*