

**A 19<sup>th</sup> century Italian economist, Vilfredo Pareto, observed a fact that would become one of the single most important beliefs in business.** The 80/20 rule or the law of the “vital few”, shows 80% of results come from 20% of the activity. This translates to the few (20%) are vital, while the many (80%) may be trivial. Pareto’s principle applies to virtually all companies in their marketing and sales effort.

- **80% of revenue comes from 20% of customers.**
- **80% of revenue comes from 20% of products.**
- **80% of revenue comes from 20% of distributors.**
- **80% of competition comes from 20% of competitors.**



Jacquard Associates is working with a new startup company; while working closely with them, I am observing several different ways 80/20 applies to our client. They are a manufacturer of durable consumer products with a target of \$20 million revenue by the end of their second year. One method to avoid the waste of over extending their sales effort is to target only their top 35 distributors, instead of their target list of 350.

These additional 315 customers require far more support for just 20% of the business and actually cost more money than the margins they contribute. If we are spending time to sell and market to these customers, we are taking away time from the clients who really matter. So, why is it important to focus on this?

### ***Ideas to Action***

*Actually perform the Pareto Analysis on your Company.*

<http://www.jacquard.com/wonderments/customer-focus/>

The time saved should be focused on the 35, the top 20%, giving you a better chance of selling your products. You are able to focus more time on your top distributors or customers. Overall you will provide them the best customer service possible. This means calling them back quicker, visiting them more often, and answering their questions faster.

### ***Ideas to Action***

*You always need to be adding to your top accounts. Review the remaining customer list for those that actually have the potential for significant sales*

These dealers will have a distinct competitive advantage. In addition to more product skills, distribution exclusivity will limit senseless price wars on your products, improving both parties’ margins. With more satisfied distributors and customers this will drive your share of mind with them.

The extra time can also be used to create deeper relationships. Your benefits include more consistent feedback regarding your products as well as gaining knowledge and ideas for them. This will help to improve your products’ overall quality and desirability.

In the beginning, management and sales may have a very hard time buying into these beliefs. In most circumstances, they are not going to believe it until they start to see results.

### ***Ideas to Action***

*Define the specific ways this would benefit your company. Include facts and financial benefits, such as reduced staffing or travel costs, how you would use the extra time, or how you would add additional distributors*

Take a step back and review your current customers, products, and competitors, you will see that this surely applies to you. It is a simple process that will absolutely not only drive sales, but more importantly profitable sales!