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Are You Misusing The 80:20 Rule?

One of the oldest rules in business is that 80% of your sales come from 20% of your clients. And so you should focus your efforts on that 20% to get the biggest "bang for your buck".

But it's also the most misunderstood and misused rule in sales. Slavishly following the 80:20 rule could cause you big, big problems.

Does the 80:20 rule actually work in the real world?

Often it does. But not always. Yes, there are many sectors where sales do have a very uneven split - 80:20 or 70:10, etc. But there are also some sectors where they are much more even across customers. It's vital that you understand how the numbers pan out in your sector and don't just mistakenly focus on a few customers when they don't make up such a huge % of your sales.

More importantly, the question that's often overlooked is: is the 80:20 split persistent. It may be that 20% of my customers make up 80% of my business every year. But is it the same 20% or a completely different 20%?

In this case, the answer is very often "no". And this can be a huge trap for sales people who focus their efforts too heavily on today's big customers. In very many situations today's big customers may not be tomorrow's. Takeovers, changes of management or changes of strategy often result in big changes in the amount of products and services being bought - and in who they are bought from. And in many industries there is a natural cycle of peaks and troughs in purchases. For example, if you sell PCs and your top customer is one who has just bought new equipment for all its employees this year, then the chances are that it won't be buying so much from you next year - no matter how much effort you devote to selling to it. Not that you won't sell anything - but the big round of purchasing is done, and you really need to be looking at other customers to drive your growth for the next year.

It's crucial to analyse your 80:20 to see if it's actually the same 20% year-on-year, or whether the composition changes significantly over time. If it does, then rather than just focusing on today's 20%, you need to find and nurture next years 20%.

One final question: "Even if you know who your 20% is going to be - should you focus all your efforts on them?"

Mostly the answer is "yes" - but there are exceptions. Sometimes you can already be investing the optimum time and effort into a client, and putting more investment in won't produce any higher returns. If you do face-to-face sales calls, for example, will doubling the number of calls really double the sales? Or will the customer be feeling pressured and over-sold? In contrast, are there some customers who are not in your top 20%, but who are being visited so infrequently, and who have enough potential, that an extra visit or investment will produce a big increase in sales?

The secret in all three cases is not to over-simplify the 80:20 rule. Look beyond it to ask: * Does 80:20 really apply for me? * Is my 80:20 consistent, or do I need to focus on rising stars instead? * Will extra focus on the top 20% really work - or are they already getting all the attention they need?

Now clearly, the 80:20 rule applies in many cases. And it can be very helpful as a simple initial guide. But you must think beyond the simple rule to figure out whether it really works for you and what you can do to best take advantage of it. If you do this the rewards can be very high.

Ian Brodie helps professional service firms to [find clients](#) and win new business. He provides consulting and training services to help firms improve their [Professional Services Marketing](#).

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