



Prioritize Customers

Who are your key customers? The ability to understand your market, and particularly the most important customers, is key to your future success.

WONDERMENT® Project Steps:

1. Identify the top 20% of the customers by using Pareto Analysis, or the 80/20 Rule (see box at right).
2. Use Pareto Analysis again to create a second tier of top customers.



80/20 Rule

80% of the revenues are achieved through 20% of the customers.

Vilfredo Pareto

Example: Service Provider

During the last year, Preston's Special Services had \$10M in revenue over 1,000 customers. Using Pareto Analysis, the following is determined:

In Your Company ...

Using your most recent sales data, calculate the revenue split for the top 20% of your customers. Apply a second Pareto to your top projects to narrow down the numbers.

The First Cut ...

The Top 20% of 1000 Customers
200 customers = \$8,000,000
800 customers = \$2,000,000

The First Cut ...

The Top 20% of _____ Customers

The Second Cut ...

The Top 200 Customers
40 customers = \$6,400,000
160 customers = \$1,600,000
The Other 800 Customers
160 customers = \$1,600,000
640 customers = \$ 400,000

The Second Cut ...

The Top _____ Customers
The Other _____ Customers

What questions does this raise?

- Over the last three years, who has been added to the top customers in The Second Cut? Who is missing? What is the trend?
- How do you distinguish your customer visits or calling plans based on this?
- What distinguishes your treatment of the top 20%?
- Do your representatives or distributors used tend to congregate on either extreme (i.e., the 40 or the 640)?
- Do all prospects get the same service? Is the job scheduling different?
- Are salespersons assigned differently for these groups?

Note: *What happens if you apply a 3rd Pareto? See if the numbers are more meaningful.*

Send us your unique numbers and get a free Pareto T-shirt. Log on to www.jacquard.com.