80% of your sales revenues come from 20% of your clients

In this week's article I'm going to talk about the 80/20 principle when it comes to selling and doing the same tested methods over and over again.

The principle is: The 80/20 rule is one of the most helpful concepts for life and time management.

*Also known as the Pareto Principle, this rule suggests that 20 percent of your activities will account for 80 percent of your results.**

If you're in sales, then that might mean that 80 percent of your revenue comes from 20 percent of your clients.

I'll give you three examples. One is an example of a sales manager and what they tend to do when it comes to managing unproductive people.

Secondly a story about a retail friend of mine who has also had challenges with a supplier.

Thirdly how McDonald's apply the 80/20 rule to their business.

Sales Managers hang on too long to non-producers

So let's start with the ol' sales managers. Many sales managers frequently invest the majority of their energy trying to help the worst salespeople they've got, who in truth, don't really want any help themselves.

Look after the top performers

Instead look after and figure out who are the peak performers, who are the top clients, and ensure you make those people better.

It's a real trap and if you're a sales director reading this, go away and do the numbers.

It’s always in the numbers. 80 percent of your revenue comes from 20 percent of your clients in most cases.

I know in my own experience with one client when I was asked to evaluate their team and client list, 80 percent of their revenue was coming from 9 clients.

I say this again, 9 clients!

That’s pretty scary.

I recall saying: “We better be looking after those 9 clients for a start”.

And the second one is retail. A mate of mine owns a pretty successful retail store and 80 percent of his revenue is generated through 1 vendor/ supplier.

In fact, when you look at his numbers, he’s number one or two in the market.

Well you wouldn’t know. The service that he gets from that supplier is almost non-existent.

They would rather go to someone down the road that buys three or four of their products.

As he says it’s most likely that the ‘*new’* client down the road has either nagged them to death or they want more sales, often it never happens.

The reality is if they just went to my mate’s business and sat him down and said:

“Hey look, how can we grow the business with you because you’re actually generating 80 percent of our revenue? What can we do? How can we help?”

Cause guess what? If my mate went somewhere else, they’ll be all over him like a cheap suit.

Do the few things many times over

Finally, the third observation around the 80/20 rule as it applies to McDonald’s.

Looking through some of my research for this subject I came across some information

regarding what they're really good at.

What they do consistently.

They've got dozens and dozens of ideas and concepts, but stick to five strategies.

I got this from an old Dan Kennedy blog that I saved years and years ago.

Basically what Dan said was that they use five strategies.

McDonald's very good at understanding what works for them. For example, their billion dollar statement annually.

'Would you like fries with that?' is a classic example.

Let's look at these five strategies.

The first one is discounting for a limited time.
The second one is a two-for-one special for a limited time.
A special item for a limited time.
A movie or a TV theme with a company such as Disney, for a limited time.
And a contest or game promotion for a limited time.
So what they're doing is they're using those strategies over and over and over again because they know they work.

Think about how it works if you're a sales manager, retailer, or service business.

In summary, the 80/20 rule:

If you're a sales manager? Make sure that you do your numbers and look at your clients that are generating the most revenue and your salespeople that are generating the most revenue and look after them with a passion.

If the ones that aren't as good aren't prepared to help themselves, get rid of them.

You don’t need them.

That might include a few clients as well.

At the end of the day, go and support the people that are prepared to commit to your business.

Second thing, if you’re a retailer or business owner, or a supplier, have a look at your clients and think does this apply to me?

Finally, like McDonald’s, do you have five strategies that you use consistently, to generate most of your revenue?

I believe the 80/20 rule plays a big part in a lot of what we do in business, every day.

You have a great week.

Selling is easy.

**Source: Wikipedia*

Whatever career you decide to take in sales, it’s always good to get some help.

That’s why you can get FREE in your inbox every morning for 7 days; the 7 Day Sale Challenge.

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Mike Brunel started mikebrunel.com after being a successful entrepreneur and founder of NRS Media. He co-founded NRS Media in Wellington, New Zealand, expanded it into a global powerhouse in media sales and training, and was eventually responsible for opening offices in London, Atlanta, Toronto, Sydney, Capetown, and Bogota. He has hired hundreds of salespeople around the world.

He made a lot of mistakes when it came to hiring his superstars. Check out his How to Hire A Super Salesperson Each and Every time – It's packed with tips and ideas on how to hire great salespeople. Don't ever Hire Bad Salespeople Ever Again. Promise!