

WITH 36 YEARS OF EXPERIENCE
AND 1,000+ CASES



MAKE IT YOUR LAW

BY DOUG CONSTABLE

What I have found during my 40 years as a consultant is that those business owners and managers who manage to stay focused on what truly creates positive impacts for their business, tend to do far better than those who get distracted easily or those who get caught in the trap of focusing on a huge number of little tasks (the trivial many activities that yield very little). This sounds obvious, but you'd be surprised how common it is! Does that happen to you? Do you get bogged down in the trivial facets of your business that yield precious little?

This is a short story of a friend of mine (the figures I have quoted are estimations only). He is among the highest paid commission professionals in Victoria. As of January this year, he set himself the impressive goal of increasing his income by at least 50% within eighteen months, and he sought to achieve it by doing less! With a smile on my face I said to him: 'Let me guess; you're using Pareto's Law?' 'Yes!', he replied, laughing.



He asked me to help. What we found is that 27% of his clients account for 71.5% of his gross profit. We also identified that the amount of time spent on a high-profit client was pretty much the same amount of time spent on a low-profit client.

In other words, he was dividing his time equally over the number of tasks that he does, even though only 27% of those items contributed to 71.5% of results he wanted.

After careful consideration, my friend decided to hand over the low-profit clients to others in his network. So, he drew a line on his list of clients under those who represented the top 27% and then called in other professionals in his industry, and he very carefully, diplomatically, and strategically handed off the 71.5%.





Again, I will use the ratio of 80/20:

- **Inventory:** 80% of the business will be done on 20% of the selection of products or services.
- **Sales:** 80% of the business will be done in 20% of the time the business is open.
- **Sales Productivity:** 80% of the sales come in from 20% of the sales staff.
- **Customers:** 80% of sales will be done with 20% of one's customers.
- **Complaints:** 80% of the complaints come from 20% of the customers.
- **Customer Base:** 80% of the customers will come from 20% of the area the business reaches.
- **Marketing:** 80% of business from marketing will come from 20% of the marketing.
- **Employees:** 80% of the work will be done by 20% of the employees.
- **Meetings:** 80% of the important information/discussions happen in 20% of the meeting time.
- **Profit:** 80% of the profit comes from 20% of the sales or 20% of the customers.

Keep in mind that the principle of 80/20 is a rough guide. As I said earlier, the ratio will, of course, fluctuate. It could be as little as 1%! Done correctly, I guarantee you will eliminate the areas that are holding you back and strengthen the key areas that will drive you forward! Do you need help to identify the parts of your business that will make you greater profits?

It has been said that roughly 20% of the reasons why we have not achieved what we want is external—the rest lies with us. Would you agree with that statement? I talk more about what holds us back in other eGuides in the series, namely eGuide No 2: Mental Toughness, eGuide No3: It's Your Time, and eGuide No4:The Dark Side of Entrepreneurship.

I strongly suggest that it is a mistake to overlook the law I have discussed in this eGuide. It is a simple, yet very powerful tool. At the very least, examine your own input/output as well as that of your employees. It can be applied to almost everything in business that you can count or measure. It's the secret behind your business' success. Use it to maximise your return with the least effort.



Keep in mind that the 80/20 principle is not a method to completely eliminate the non-critical aspects of your business. Rather, it is a phenomenon that allows us to shift our focus on the areas that will have the most impact on your end goal and the things that will yield the greatest results. It is particularly useful for businesses because it allows you to identify which aspects of your business are not performing to their full potential, and consequently, makes it easier for you to focus on the issues that require the most urgent attention.

To be strategic is to concentrate on what is important, to focus on those few objectives that can give us a cumulative-competitive advantage, to look at what is important to us rather than others, and to plan and execute the resulting plan with determination and focus. In my business environment, I attempt to isolate central touchpoints for all other areas of my work. From there, I seek ways to automate or improve those processes. However, I need to be extremely careful when implementing changes because they can lead to widespread problems.

Don't ignore the Pareto Principle. Use it to your advantage. Continually analyse your activities and prioritise those that produce the highest results and revenues.

Key Takeaway Messages:

Do an 80/20 data analysis on your products, projects, salespeople, customers, and marketing campaigns.

Allocate more resources to the top 20% by moving time/resources away from the unproductive 80%. In short, do more of what is working well for your business.

Address the under-performing 80%: Find ways to make the unproductive activities more productive or effective.

20% of your customers will spend 4x the money. Don't leave that money on the table. Find what additional products and/or services you can offer to these 20% of your customer base.

I will work with you to create a micro and macro view of your business and your personal financial circumstances, as well as provide you with simple, smart solutions to keep you moving forward. The key is to work out the few things that are really important and the few methods that will give us what we really want, and I will help you to achieve exactly that!

Thank you for taking the time to read my 6th eGuide in the series, 'Doug On'. I look forward to your feedback, and I eagerly anticipate the opportunity to help you and your business to prosper in these uncertain times! Please keep up-to-date regarding my latest eGuides by signing up to my newsletter. The next eGuide in the series is No7: Inner Circle.