

4R ! Marketing Matters

Pareto Principle

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The marketing industry loves theories, principles, and adages. We borrow them from other disciplines to suit our purposes, often shifting their original intent to fit the marketing mold. One of these is the Pareto Principle, originally conceived by Italian economist Vilfredo Pareto, who

observed that 80% of the income in Italy was received by 20% of the Italian population. This observation was initially borrowed by a management theorist named Joseph Juran, and reframed to say that for many phenomena, 80% of the consequences stem from 20% of the causes.

This 80-20 rule gets cited in all kinds of business situations today, sometimes accurately and sometimes not. One of the more accurate applications of the rule is the assertion that 80% of a company's revenues come from 20% of its customers. In other words, all customers do not have the same amount of impact on your bottom line. Some small portion—20% for example—are far more significant to your firm than others.

Creating a marketing program that targets the top 20% of your list will generate new revenues in all kinds of ways.



This insight can drive a large part of the marketing program. We see the approach in some features of customer loyalty programs, where frequent buyers are offered special discounts or benefits, key clients get invitations to fancy social dos or popular sports events, or significant buyers have a voice in the product or offering development process.

The ways in which the few customers who spend the most dollars with us are cared for will

vary based on the nature of the business, but no matter what the business, creating a marketing program that targets the top 20% of your list

strategy, especially in smaller companies. Resources are spread wider and thinner in small to medium enterprises, and every single marketing



will generate new revenues in all kinds of ways.

But here is an interesting statistic—in a survey of U.S. corporate marketing managers, slightly more than half of respondents said that they do not segment according to customer value. This implies that around half of American corporations don't recognize that their customers are not all of equal value to them—and I'll bet that if we move down into the small-to-medium business sector, that portion increase by a lot.

That's not good. Customer value needs to figure prominently in marketing

dollar has to produce the right result. Putting attention on that top 20% of customers will produce far more right results than treating your list as a homogeneous audience.

How can you leverage your most significant customers? Do some brainstorming on this question and implement some targeted marketing initiatives. And lest you think that we are talking big bucks here, rest easy. It's amazing what results you can produce with a hand written, snail mailed note or a tin of cookies. Be creative, be communicative, be human in dealing with your most valuable customers, and you will reap bigger rewards.



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Service companies rely on communication to snag their markets' interest. Written and verbal communication of the "one to many" variety is the keystone of services marketing, and the basis for any marketing strategy. Well thought out and executed programs that "get the word out about us" need to get your market's attention and grease the wheels for sales.

4R creates content that connects and produces measurable results through well-planned marketing initiatives. We will work with you to increase the awareness and interest of your target audiences so that sales opportunities increase and your sales cycle decreases.

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