

4: Divide them into two groups

Around 3,000 years ago, a great battle took place - 300 Israelites conquered 135,000 Midianites under a plan presented by the Living God, to His servant, Gideon.

Actually, Gideon had 10,000 men ready to go into battle but the LORD determined it was too many - victory wasn't to be based on numbers but on a God-given plan. So, he whittled them down to just the 300 with a simple test...

"Gideon assembled his army at the water [the Jordan River]. There the LORD told him, divide them into two groups by the way they drink" - Judges 7:5 TLB

9,700 in Group 1 failed and were sent home. 300 in Group 2 passed; these were the soldiers chosen to battle against a numerically superior enemy; and they did so, very effectively & decisively.

Is there a principle here for business owners?

Indeed, the 80-20 principle whereby 20% of the activity generates 80% of the results:

E.G., use your accounting program to rank customers, highest to lowest, based on sales last year...

- * Group 1 is the top 20% of sales; Group 2 is the bottom 80%
- * Then rank the 20% group into 2 groups...the goal being to identify the top 4%

This information will be marketing gold...

...Note how few customers make up the top 20% of sales \$\$...then in the top 4%

...Note how much your business profit depends on so few customers.

How can this information be used to increase sales & profit?

Again, put your marketer's hat on, there are some questions you need to ask:

- * What are the common characteristics of people in the top group?
- * What is the main problem you solve for these people?
- * What extra value could you offer those in the top 20% group...and the 4% group?
- * How can you attract more like these into your business?

The # 1 reason customers leave a business is they felt no one cared about them. Imagine 2 of your customers - one bought \$5,000 last year, the other \$100. Who can't you afford to lose?

You should not treat every customer the same simply because a few are far more valuable than the majority in terms of sales & profit. Always give the top group a more valuable offer and ensure they are served exceptionally well so they have no reason to leave.

Can this 80-20 principle be taken any further?

Yes, by ranking the products/services you sell, again from highest to lowest by sales or GP...

1. Divide them into 2 groups: the top 20% and the bottom 80%
2. Amazingly, you will find the top products generate all the profit, the rest breakeven or lose \$\$
...Then you will find ONE product is the standout in terms of the level of profit it delivers!

My counsel: Gideon divided his soldiers into 2 groups; divide your customers into 2 groups; then serve the best ones better and create a seriously more profitable business; believe me, it works!