

## Use the 80-20 Rule to Increase Your Business Profits

How well do you know your customers? Which ones are the most profitable? Which ones take most of your time? It's worth taking the time to find out. If your business is like most, the 80-20 rule applies. That is, 80% of your profits come from 20% of your customers.

If you can identify that top 20%, you can work hard to make sure this group remains satisfied customers. Sometimes all it takes is an appreciative phone call or a little special attention. Also, by understanding what makes this group profitable, you can work to bring other customers into that category.

Keep in mind that it's not always profits alone that make a good customer. Other factors, such as frequency of orders, reliability of the business, speed of payment, and joy to deal with are important too. Ask your accounting staff and your sales staff. You'll soon come up with a list of top customers.

There's another way in which the 80-20 rule applies to your business. Very likely, 80% of your problems and complaints come from 20% or fewer of your customers. If you identify those problem customers, you can change the way you do business with them to reduce the problems. Consider changing your pricing for those customers so that at least you're being paid for the extra time and effort they require. Sometimes the only solution is to tell these customers that you no longer wish to do business with them.

The bottom line is that understanding your customers better can only help your business.

If you need help analyzing your customer profitability, contact our office at (888) 388-1040.

NOTE: This article is written to provide you with information about minimizing your taxes. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.

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### Willmar Office

331 Third Street SW, Ste. 2  
P.O. Box 570  
Willmar, MN 56201  
Phone: (320) 235-3311  
Toll-Free: (888) 388-1040

### Benson Office

1209 Pacific Avenue  
Ste. 3  
Benson, MN 56215  
Phone: (320) 843-2302

### Morris Office

401 Atlantic Avenue  
Morris, MN 56267  
Phone: (320) 589-2602

### Litchfield Office

820 Sibley Avenue N  
Litchfield, MN 55355  
Phone: (320) 693-7975

### St. Cloud Office

2351 Connecticut Avenue  
Ste. 110  
Sartell, MN 56377  
Phone: (320) 252-7565  
Toll Free: (800) 862-1337

[www.cdscpa.com](http://www.cdscpa.com)