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How to Increase Your Profits by Cultivating Your 'Top Ten Percent'

By Justin Hitt, Strategic Relations Consultant, <http://www.justinhitt.com/>

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Not all customers have equal value to your organization; in fact, some customers are more profitable than others are. These profits come from the cost of service and total purchasing volume, not just individual product profitability. To cultivate these profitable customers, you first must identify them in your customer portfolio.

Your 'Top Ten Percent' customers are at the top of your ranking for volume, frequency, and profits per dollar invested. Group your customers by profits generated for your company, organizing them by 'Top Ten Percent', those 'Above Average', and customers with 'Below Average' profit earnings. Utilize statistical information and remember customers purchase multiple products, so do not use products as the only measure of profitability. Try to develop a full picture of each customer's contribution and expense to your organization, consider overhead costs as well as other expenses on a per customer basis. It is important to align your profitability measures with your corporate goals and always use measurable information - don't just guess!

Once you have arranged your customers by their profitability to your organization and have grouped them in the three groups mentioned above - you will get the most out of this strategy by determine the specific demographic differences between categories. Each customer tier will have specific demographic, preferences, and product expectations unique to that group. This analysis helps you better understand the differences between your customers, which enables you to serve their needs. It may be necessary to append your historical sales information with customer demographics from third party data in order to get a clearer picture of who your customers are in each category. If the differences are not apparent, then revisit this segmentation process and refine your profit measures.

Armed with a clear understanding of what makes your best customers most profitable and differentiates them from your least profitable customers; it is time to put this information to work. If for every 'Top Ten Percent' customers you could get another customer just like them, would you agree that your reward would be greater profits? In most cases, targeting your most profitable customers

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points your organization in a direction for gaining customers that will earn the company the most income for dollar invested. Distribute this newly gained customer profile to each of your sales and marketing people - this is your new target customer.

As your company changes its focus, to those most profitable customers, it should consider giving away its least profitable customers - if a customer is not profitable, stop serving them. Do not upset them; just orient your new services around the needs of those customers who are already profitable to your organization. Even consider charging unprofitable customers more so you can break even on serving them. It may take a few cycles but eventually you can grow your 'Above Average' customers to be more profitable while reducing the number of customer you are serving at a loss. Over time, you will be rewarded for your efforts with an overall improved quality of customer.

Once you have obtained the larger picture of who your most profitable customers are and start

addressing their needs specifically, your whole business strategy becomes more focused on the type of individual who already demonstrates the most real income to your business. This is not an easy strategy, but with the right measurable information and solid demographics, you are on your way to greater profits in your business.

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Achieve More Doing Less

By Cyndi Smasal

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Thanks,
Cyndi Smasal

Word Count: 310 words at 65 characters per line

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The secret of achieving more with less is found by using the 80/20 principle.

The 80/20 principle demonstrates the difference between efficiency and effectiveness. It emphasizes the effectiveness that can be gained through simplicity.

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For example:

- * 80 percent of what you achieve at work comes from 20 percent of the time you spend working.
- * 20 percent of a company's products usually account for 80 percent of its sales. And 20 percent of its employees contribute to 80 percent of profits.
- * 20 percent of criminals account for 80 percent of crimes.
- * 20 percent of motorists cause 80 percent of accidents.
- * 20 percent of your carpets get 80 percent of the wear.
- * 20 percent of your clothes will be worn 80 percent of the time.
- * 80 percent of traffic jams occur on 20 percent of the roads.
- * 20 percent of computer users purchase 80 percent of software.

Need to make money in your business NOW?

Determine which 20 percent of your customers are producing 80 percent of the profits. Now focus on keeping them happy and increasing the amount of business you do with them. Tap into them for referrals because these are obviously satisfied customers.

Need new clients?

Determine which 20 percent of your prospects are most likely to become customers. Focus your follow up activities on them.

Here are some other ways to apply the 80/20 rule:

- Look for short cuts.
- Be selective more than exhaustive.
- Delegate and outsource as much as possible.
- Target a limited number of goals and focus like a laser beam on them.

Don't do any of these things in a hurry. Patience will enable you to spot the areas that need changing. Fast isn't beautiful. Big isn't beautiful. Small isn't beautiful. **SIMPLE IS BEAUTIFUL!** Use the 80/20 rule to keep it simple, and you'll start to achieve more while doing less.

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Cyndi Smasal: Jump–Start Coach & Inspirational Speaker
Gives focused one–on–one Coaching to people who want their business to succeed in 90 days or less.
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Send email to <mailto:report@JumpStartCoach.com> for a FREE report on how to succeed in 90-days or less.
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Cyndi Smasal is a "Jump-Start" Coach and Inspirational Speaker who inspires people to manifest their dream. She has a Bachelor's Degree in Computer Science, 15 years start-up experience and specializes in working with entrepreneurs who want to start, focus, or expand their business without giving up their life. Send e-mail to <mailto:csmasal@cyndismasal.com> for a FREE Coaching Session or visit <http://www.JumpStartCoach.com> for more information.



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