



“Cutting Business Expenses – Added-Value Customer Services”

André Larabie

If you are looking to business expenses to make it through a difficult time period, and if you provide services to your customers, then stop providing these services to any customers who do not pay on time. This is simply implementation of the 80-20 rule: 20% of your customers provide 80% of your revenue.

Your task is to identify those customers who fall in the 20% category.

Conversely, 20% of your customers create 80% of your problems. Again, you need to identify those who fall in this lower 20% sector.

These customers have to go immediately, and when you restructure your business, you should implement structural and procedural changes that will discourage this lower 20% sector from interacting with your business.

Remember, you can retain the right to refuse service to anyone, and you can exercise this right on these lower 20%. If you look closely at your situation, you will probably discover that these types of customers (the lower 20%) are probably what got you into much of the trouble that created your business problems.

If you are new to the 80-20 rule, think of it this way. Suppose you place all of your customers on a spectrum so that they are all ranked by their value to your business. I know you can rank them using various metrics and criteria, so this would not be a straightforward process. But suppose you identify your top five customers. You should be able to do that.

What makes them your top five customers?



Do they purchase a lot of products?

Do they pay everything on time?

Do they pay in advance and operate under contract?

There are multiple things that make a good customer, but usually the one outstanding factor is that you make a lot of money from them.

Now, consider your worst five customers. I can already tell you that probably the top criteria that makes them a bad customer is they do not pay their bills or honor their agreements.

During your restructuring, you simply have to deny services and products to those that fall on the lower end of the quality spectrum, and conversely, you need to focus resources on those customers who fall at the upper end.

The actual cutoff line will be different for each company as will the particular criteria used to sort and rank your customer list. You do need to do this, however, and implementing this change will save you a significant amount of cash.

In addition to these comments, consider this: This entire restructuring process is actually an implementation of this 80-20 rule. You are trying to trim your business such that you remove 80% of your problems while retaining the top 20% of your customers.

Hopefully you are getting rid of the lower 20% of your service offerings, your products and product lines, and probably much more. Hopefully,



ANDRELARABIE.COM

ARTICLES

you are removing the bottom percentage of your employees as well.

Customers who eat up your service and support resources while sitting down at the bottom of your accounts receivable register are just those customers who you have to jettison during this process.