

80-20 Myth or Truth.

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Topic: 80% of Business comes in from 20% of Customers

Submitted for the perusal of

Journal of Interdisciplinary Cycle Research;UGC-CARE Group 'II' Journals list -Serial No. 21259

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Abstract:

Peter Drucker the guru of marketing pronounced & popularized the term MBO. (Management by objectives, also known as management by results), in his 1954 book.

A famous unreasoned para phrase used by many building material industries with a sense of proud feeling is as below

80% of the sales comes in from 20% of the customer.

This paper explores the nitty gritty of the truth behind this phrase. Also a serious career terminating epidemic called “ Mid Life crisis” where in senior executives with considerable experience switch to entrepreneurship or de grow in the corporate world or become jobless, If one explores a bit in the career choices made by the affected executives would reveal a serious link to our paper topic Ie 80% of the sales comes in from 20% of the customer. We explore through an exploratory research process try and find answers to the following questions and hence draw a conclusion on the whether 80-20 rule is a myth or bitter reality.

Organizational point of view

1. Why wouldn't organization work themselves out of this precarious situation?
2. Are they even aware that this 80-20 pattern is coming in with heavy risk?
3. Pros and cons of the 80-20 pattern of business
4. What are organization's approach toward warding of this challenge of 80-20 rule.

Sales personnel point of View

1. Are they even aware that this 80-20 pattern is coming in with heavy risk?
2. Pros and cons of the 80-20 pattern of business
3. Is midlife crisis an avertable event in successful salespeople's career who more than often victim of organizational strategy
4. How long is too long in an organization?

Key Words: CRM; Sales Strategy; 80-20; Scientific Management; Technology ; Sales Team empowerment; Sales leadership, Entrepreneurship; Midlife crisis.

Introduction

In the current capitalistic economy, all organizations work with a singleton objective of making profit through sales proceeds. Profit is considered or presumed as derivable of any sales that they do. Magnitude of margins are directly proportional to the uniqueness of the product being sold. This uniqueness also becomes a bane to the organization selling such unique products as the number of customers also are few or we can say few takers

This paper reviews this situation and explores various organization's awareness level and interesting strategies that they adopt to maneuver this situation. Simultaneously we also understand the challenges and changes that get imposed on sales personnel working in such organizations and hence the effect on their career.

Typical list of Challenges faced by organizations that come under this hallucinating principle of 80-20

1. Peaks and troughs in sales are customer driven
2. Spend on brand building diminishes and hence pull strategy for new customers fails
3. As the customer's need become saturated organizations have very little time to react
4. In absence of a strong MIS leadership is unaware of the impending challenge
5. Unsuccessful sales people who contribute to the majority of sales team feel demotivated and quit organization with a hardfeeling.

The above-perceived challenges are discussed with industry leaders and their opinion is recorded. The broad objectives of the research is listed as below

1. Understand the pattern of sales happening in building material industry
2. Current ratio of Sales to Sales personnel
3. Strategy adopted to mitigate this impending risk
4. Usage of scientific tools for MIS generations and having customer engagement as a metric.
5. Sustenance and growth of Sales Managers beyond the age of 40.

Limitations:

The discussion on the topic is limited to companies dealing with Building Materials with specific focus on products to interiors usually bought by corporates to set up their offices. The population of the research is limited to the LinkedIn network of the author 1. The Sample size is based on the availability and schedule of work for the contacts of author 1 .

Methods

Research was done using the techniques of interviewing with a predefined questionnaire containing closed and open-ended questions both in objective and subjective fashion.

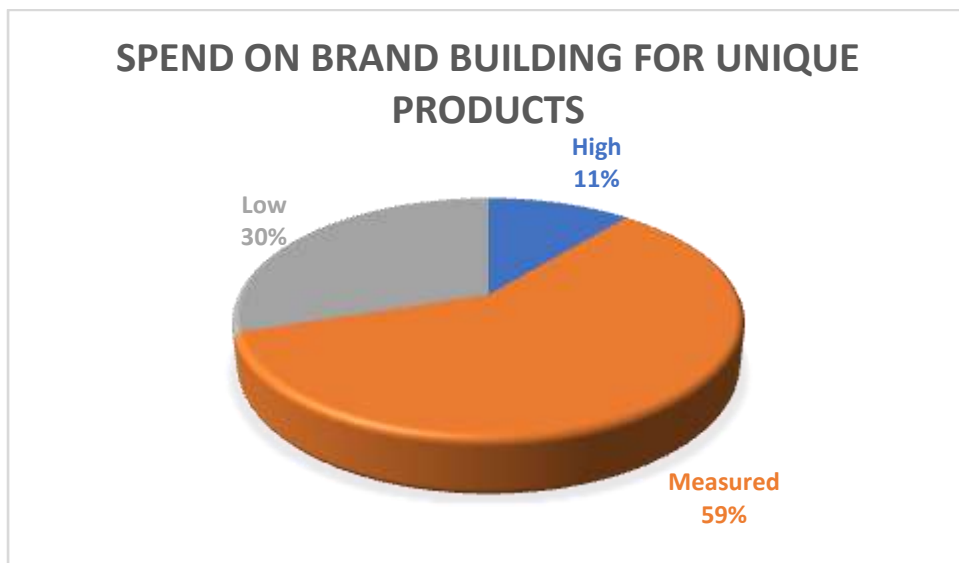
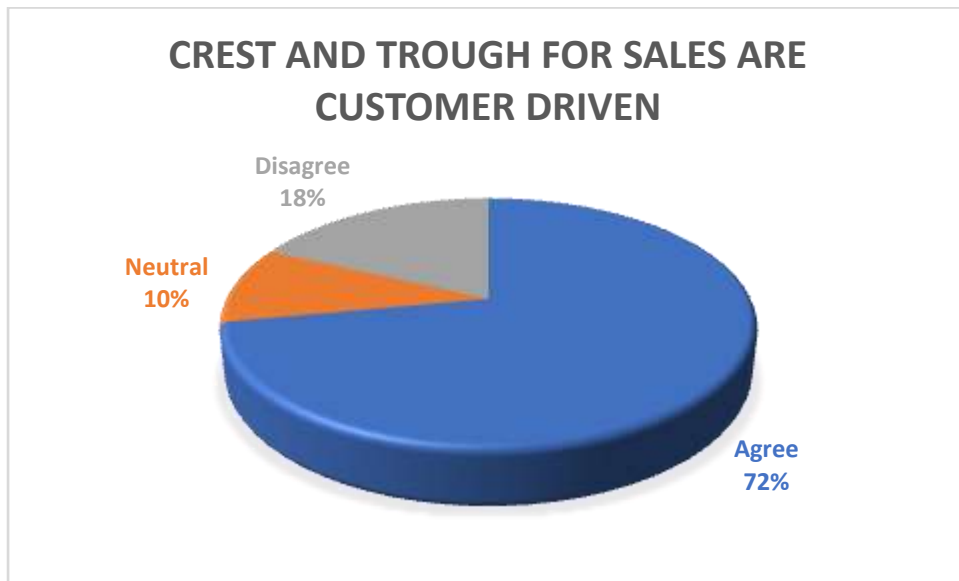
Sufficient care has been taken to seek opinion in an unbiased fashion and not let researcher drive the null hypothesis

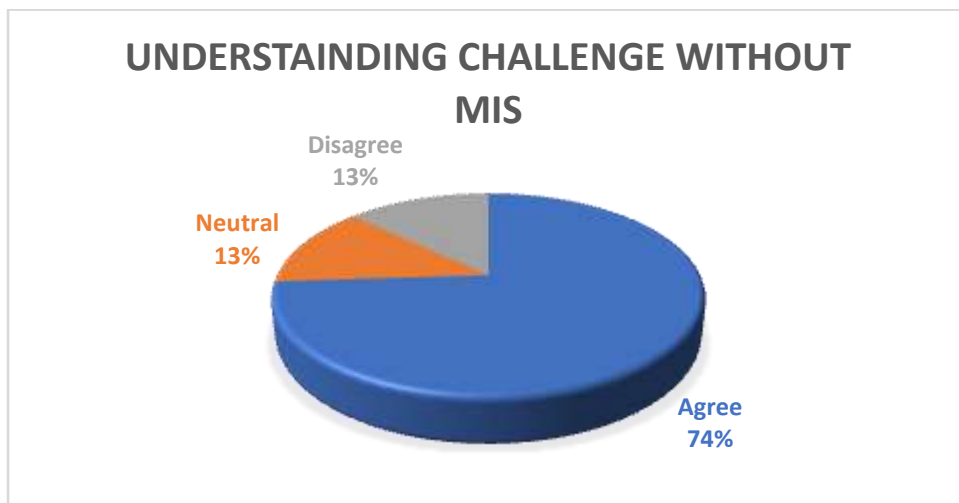
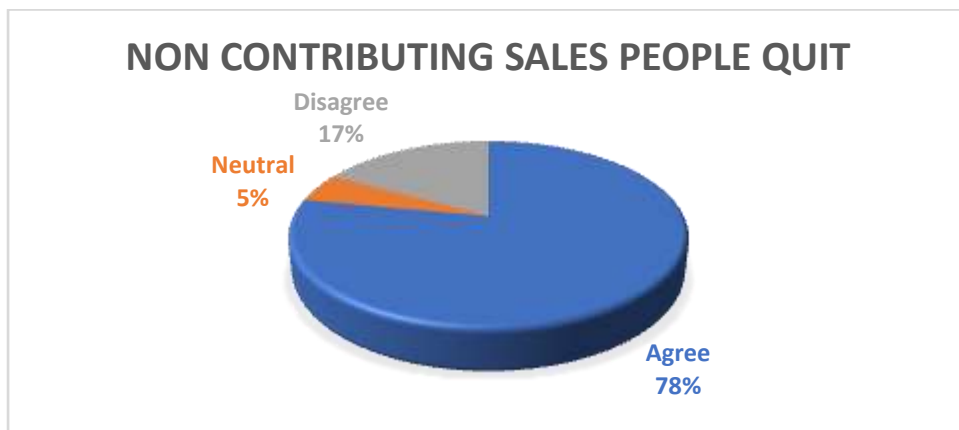
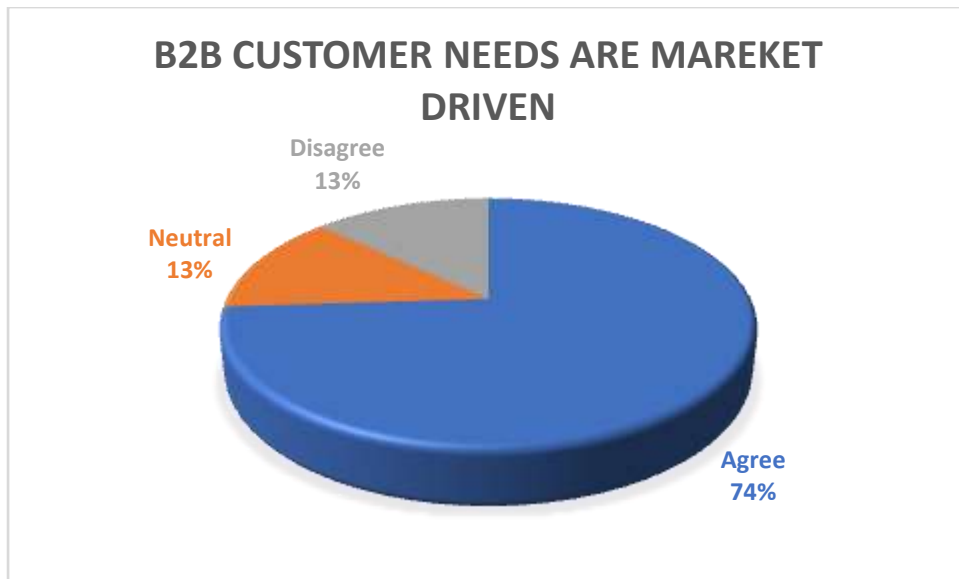
Thus, derived responses were segregated, The objective results were tabulated based on the responses chooses by the respondents and further represented as Pie Charts for easy and quick understanding of the reader. The Subjective results were read in conjunction with secondary research carried out for the paper and were jotted down as the key findings and discussed.

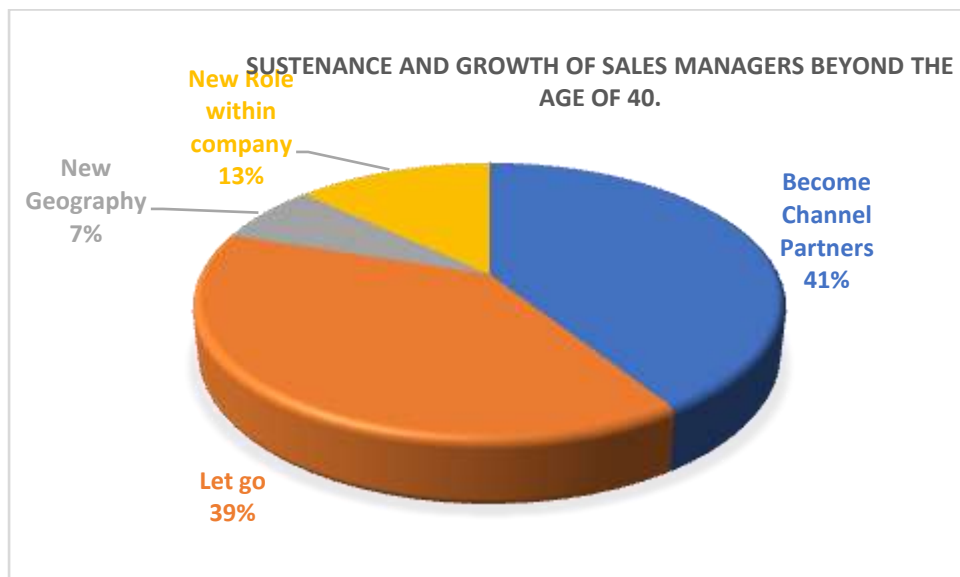
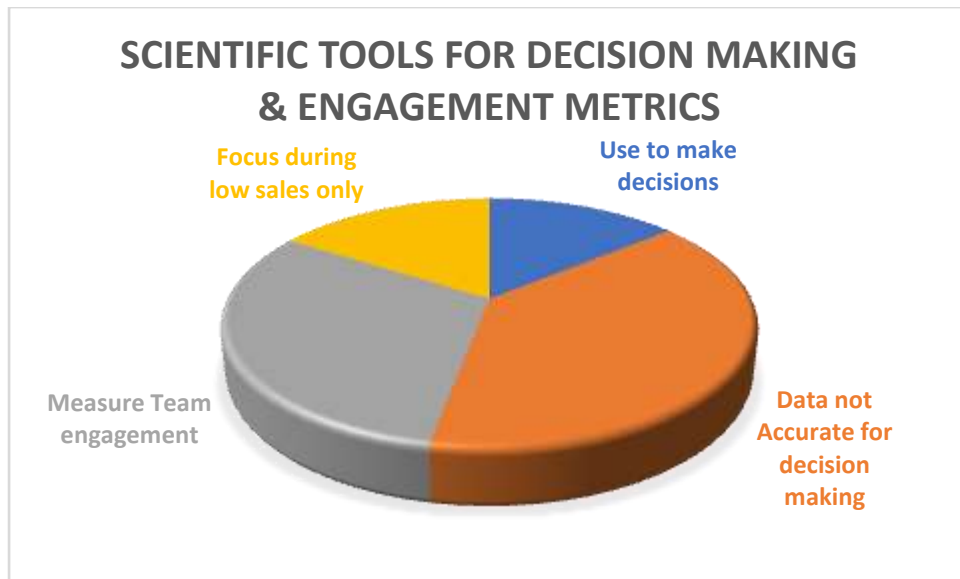
The conclusion was derived after reviewing the both objective and subjective results and recorded as current status, and the willingness expressed by the organizations to further explore is also recorded.

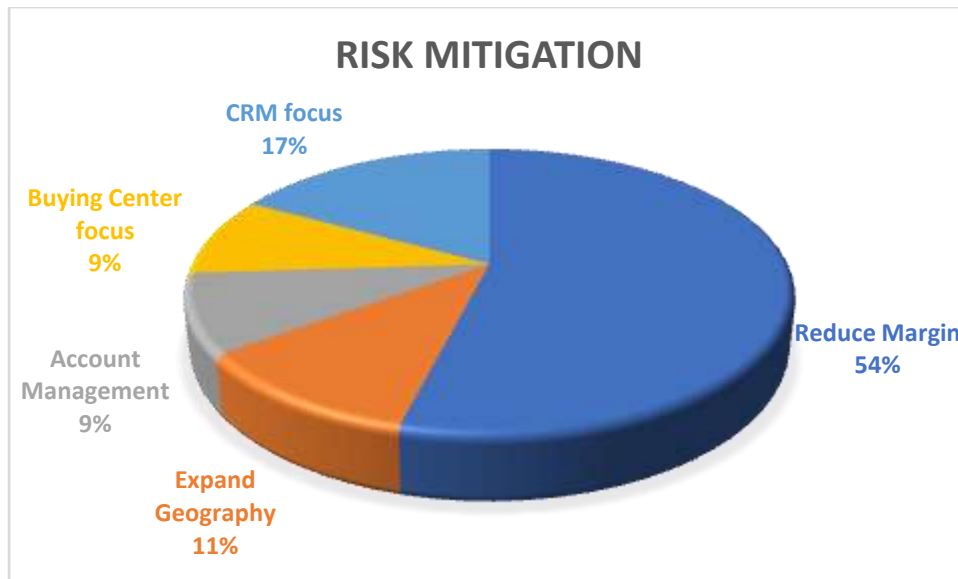
The Secondary research was limited to google search and reference to the portals like.

Results









Discussion

We began this research paper with an hypothesis that there is no such thing as 80-20 rule in the B2B industry

Key Points noted vide interview with Open questionnaire and as derived by the

1. Sales personnel are as hungry for business as the organization
2. Customer's demand is linked with their market of operation
3. Unsuccessful sales people irrespective the talent within tend to quit if unsuccessful.
4. Organization's prefer customer engagement to generic brand building when it comes to advertising.
5. MIS is a key tool for understanding market trends however the credibility of input data is under a cloud of suspicion, a discounting factor is always employed by decision makers while making decisions based on MIS.
6. Unsuccessful but talented sales personnel are often moved out of the market and the industry losses the talent.
7. Taking support from Technology is desired but still not used as preferred method of MIS generation.

Based on the observations made vide above highlighted points the results are nullifying our hypothesis.

Conclusions

The research paper concludes that the 80% of business comes in from 20% of its customers does exist and often driven by market owing to product uniqueness and equally the organization's appetite for growth. The Spend of organizations with 80-20 rule invest more in direct engagement with customers than generic brand building. A need for further research is required to make in depth study on Sales attrition in such organizations where 80% of business comes in from 20% of its customers.

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