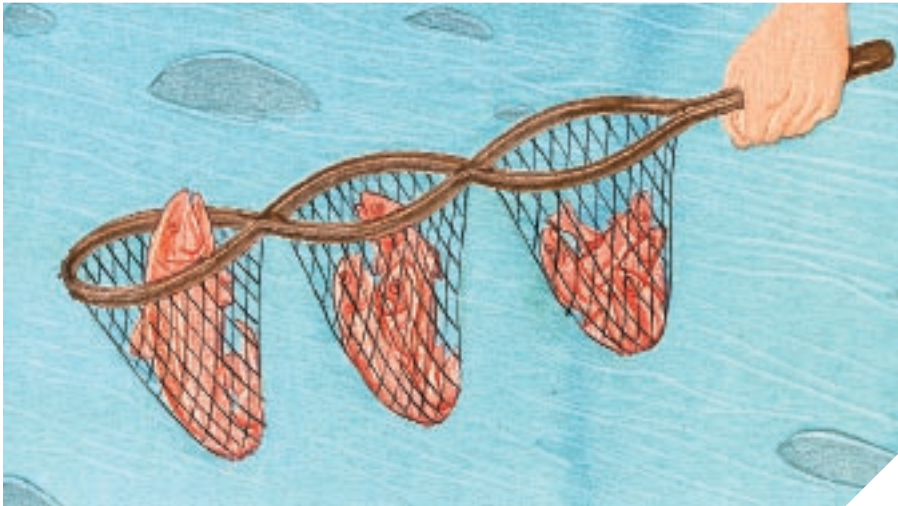


# The 60-40 Rule

For long-term success, don't chase only a few big fish. Try to net business from a wider range of prospects. By Rick Davis



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Growing sales hasn't been this difficult since the late 1970s. With the barrage of bad economic news plaguing our economy and the construction industry, it is easy to give up hope for success. But if you follow an old adage, you may cope better and establish a foundation for long-term success.

The adage: Don't put all your eggs in one basket.

Every LBM dealer today wants to stabilize its client base to avoid credit risk, increase monthly sales stability, cross-sell more products, and establish a solid foundation for future sales growth. The hard work involved in making this dream a reality centers on cultivating a solid book of business. There is no better way to make this happen than to create an abundance of small and medium-sized accounts.

Kent, a salesman for an East Coast lumber dealer, suffered the loss of a million-dollar client that represented more than 20% of his business. For most salespeople, this would have been a devastating setback. It was certainly a temporary impediment to Kent's success. But by no means did it destroy his customer base.

Kent had been prospecting regularly for clients that were building fewer houses than his largest customers. He included a mix of remodelers and subcontractors in this. Less than a year after the loss of his large account, Kent's sales are nearly at the level before that setback. Moreover, Kent feels his customer base is more solid than ever.

Rather than having a small number of clients representing most of his business, Kent has created a client base made up of many medium-sized builders and remodelers.

Most salespeople and businesses are going to lose out in this economy. When the size of the pie shrinks, there is less to go around. But you don't have to be a victim of the economic downturn. Use this as a time to rebuild a stable client base that gives your organization long-term security.

**1. Adopt the 60-40 Rule.** It's been said that 20% of your clients give you 80% of your business. Shift your paradigm and decide your business does not have to be this way. You can spread your business among small and medium-sized clients that provide solid stability for your business.

**2. Efficiently Manage Your Time.** Nearly every salesperson in our industry feels like they are doing more to achieve less in these troubled times. The key to success with this model is time management. Plan your days and weeks more effectively by managing relation-

ships more proactively.

**3. Prospect Proactively for the Little Accounts.** For a decade, the buzz in our industry has centered around the big builder, a group that produces more than a third of all single-family homes in the United States. However, the smaller volume builder still builds most of the houses. Align yourself with this audience and hedge your credit risk, while amortizing the balance of your business over a larger audience.

**4. Sell to Remodelers.** This audience has very different needs than new construction builders in terms of deliveries (just try dropping a load of lumber in a homeowner's driveway at 6 a.m. to find out), specialty products, and attention to detail. Remodelers' margins are often better, and they tend to be more cooperative negotiators. It may not be an easy transition but could be well worth it.

**5. Play for Second Place.** As a matter of practice, I always suggest that the easiest time to pick up a new customer is when it's dissatisfied with its current supplier. Establish relationships that puts you in second place—the first choice customers go to when things go wrong.

There is no quick and simple fix to the problems LBM dealers face in today's market. The truth is that you must rethink your business model and dedicate yourself to a long-term vision of prospecting. But the balance you will achieve in business makes it worth fighting the battle. ■