

statistics

INDUSTRY TRENDS BY THE NUMBERS

GROUP CUSTOMERS FOR MORE PROFIT

For most companies in the industry, **80% of annual revenues and profits come from 20% of the company's customer list.** That's the good news! The bad news is that the bottom **30% of that list (the smallest jobs) account for less than zero percent of total profits.** In other words, these customers are making you lose money. What to do? Let's look at an example to highlight some key strategies.

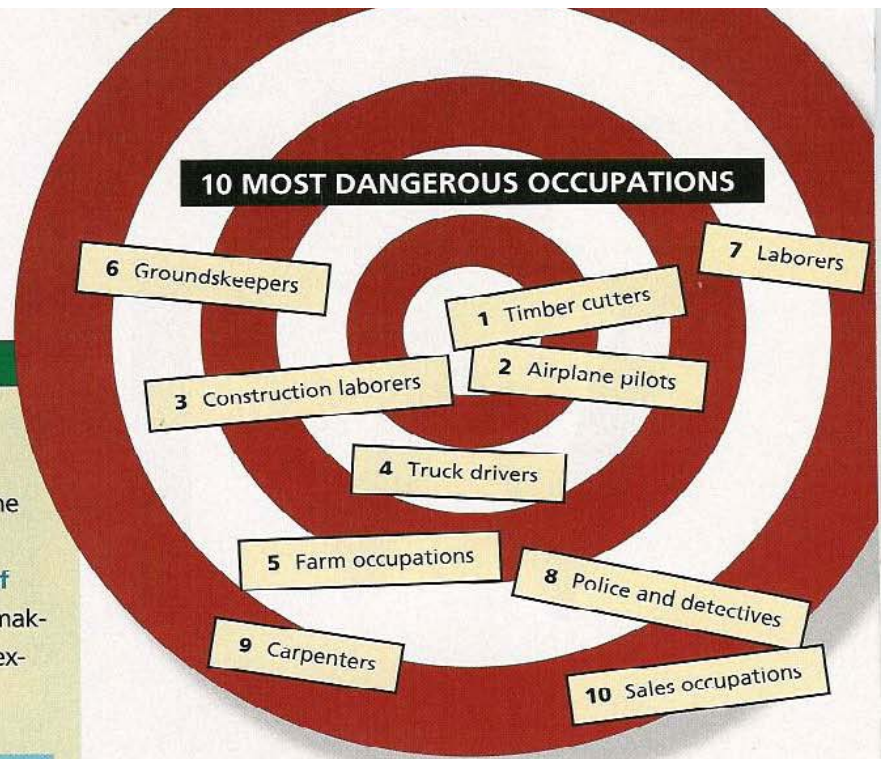
Customer group	% of sales volume	Actual revenues	Gross margin
Big guy group	45%	\$ 450,000	50%
Sweet spot group	35%	\$ 350,000	60%
Small fry group	20%	\$ 200,000	35%
TOTALS	100%	\$ 1,000,000	

Segment the largest 20% of your customers (who account for 80% of sales) into the "big guy" and "sweet spot" groups. In the "big guy" group are your biggest customers who aren't always the most profitable (since you have to be competitive to keep them), but their volume pays for a lot of your overhead. It's the group of mid-size clients called "sweet spot" (just below the biggest ones) that is typically the most profitable.

To increase your profits in the 20% segment, separate this group into the "big guys" and focus on finding ways to reduce the cost on these customer accounts. There's always room to save on the big jobs — do this so you can be ready to meet a competitor price challenge. Then focus on expanding services to the "sweet spot" group to get a greater share of their "wallet," and use this group as a referral platform to conduct direct-contact marketing programs to fill your sales pipeline with this type of customer.

Lastly, to increase profits, you must address the bottom 30% of your list. You need to raise your prices by 15% to 20%. If they stay, great. If they go, you have more room to add "sweet spot" customers.

SOURCE: KEHOEGUIDO



SOURCE: U.S. BUREAU OF LABOR STATISTICS

NEW TRUCK RETAIL SALES BY GVWR* (THRU JUNE 2003)

	2003	2002	Change
Class 1 (0-6,000 lbs.)	3,027,172	2,482,490	21.9%
Class 2 (6,001-10,000 lbs.)	1,256,163	1,252,984	0.3%
Class 3 (10,001-14,000 lbs.)	42,429	38,718	9.6%
Class 4 (14,001-16,000 lbs.)	19,315	20,682	-6.6%
Class 5 (16,001-19,500 lbs.)	13,883	12,216	13.6%
Class 6 (19,501-26,000 lbs.)	24,211	19,921	21.5%
Class 7 (26,001-33,000 lbs.)	31,085	39,378	-21.1%
Class 8 (33,001 lbs. +)	62,947	66,730	-5.7%
Total	4,477,205	3,933,119	13.8%

* Including imports of U.S. manufacturers

SOURCE: WARD'S COMMUNICATIONS

OFF THE HOOK

The Yellow Pages Integrated Media Association (www.yellow-pagesima.org) reports 182.4 million references or look-ups for vendors under headings such as "Landscape Contractors," rated 35th among the Top 300 headings for 2002. "Lawn Maintenance" and "Tree Service" are among the headings that increasingly attract consumers who outsource their lawn and garden care.



ILLUSTRATION: DAN BEEDY