

## Pondering the 80/20 Rule

The 80/20 rule is a principle stating that 80% of results come from 20% of effort.<sup>1</sup> It can be applied in many different scenarios. For instance, 80% of a hardware store's profit may come from 20% of its inventory, or maybe 80% of a store's sales are generated by 20% of its employees. The examples are endless.

Though not set in stone, the 80/20 ratio can be used as a rule of thumb or guideline to shine light on how disproportionate the spread of results to time/input/effort can be.

Why is this important? For hardware dealers, it is critical to identify the 20% of your business that is most vital to your success. Pinpointing your 20% can help you focus the appropriate resources to sustain and grow that success.

How often do you think about what your 20% is? It may change with the season, or it could be a niche category that carries your sales throughout the year. Essentially, it may just be what sets you apart from the competition. It can be your advantage.

*Here are a few ways to apply 80/20 in your store:*

- Be intentional. Identify your 20%. Know what is vital to your success.
- Apply this to your staff's daily to do lists, prioritizing the most important tasks and maximizing efficiency.
- Shift focus. Minimize or eliminate time spent on the 80% yielding lesser results.
- Ensure your top selling "20%" inventory is strategically positioned and well displayed.
- Cycle out obsolete inventory.

As you ponder the use of the 80/20 rule, we'd love to hear how you approach/apply it in your store. Send your thoughts or comments to [ehelps@midwesthardware.com](mailto:ehelps@midwesthardware.com)

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<sup>1</sup> The 80/20 rule, is also known as the Pareto principle. It's origin dates to the late 1800's, when Italian polymath, Vilfredo Pareto recognized that 20% of the population owned 80% of the land.