Pareto Analysis

The Pareto principle is also known as the 80-20 rule and the law of the vital few. It states that, for many events, roughly 80% of the effects come from 20% of the causes. Business management thinker Joseph M. Juran suggested the principle and named it after Italian economist Vilfredo Pareto, who observed that 80% of the land in Italy was owned by 20% of the population.

In business the principle is applied for analyzing the causes of problems using a Pareto Chart. The sample *Pareto Chart* below illustrates how an energy utility analyzed customer service complaints stemming from service calls to their natural gas lines.

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| --- | --- | --- | --- |
| **Customer Complaints:** | **#** | **%** | **Cum. %** |
| ***Total*** | ***100*** | ***100*** | ***100*** |
| My lawn was torn up. | 25% | 25% | 25% |
| New sidewalk concrete is a different color that doesn't match my existing walkway. | 23 | 32% | 48% |
| Didn't start the job when you said you would. | 15 | 15% | 63% |
| Bill is wrong. | 10 | 10% | 73% |
| Started the job but never came back. | 5 | 5% | 78% |
| Workers looked unprofessional. | 5 | 5% | 83% |
| Didn't finish the job on time. | 4 | 4% | 87% |
| Rude behavior. | 4 | 4% | 91% |
| Started work too early in the morning. | 2 | 2% | 93% |
| Left equipment sitting in my yard. | 2 | 2 | 95% |
| Killed my plants. | 2 | 2 | 97% |
| Ruined insect habitat. | 2 | 2% | 99% |
| Took long lunch. | 1 | 1% | 100% |

If you were in charge of customer service for this company, what would you recommend?