



Harry's Take

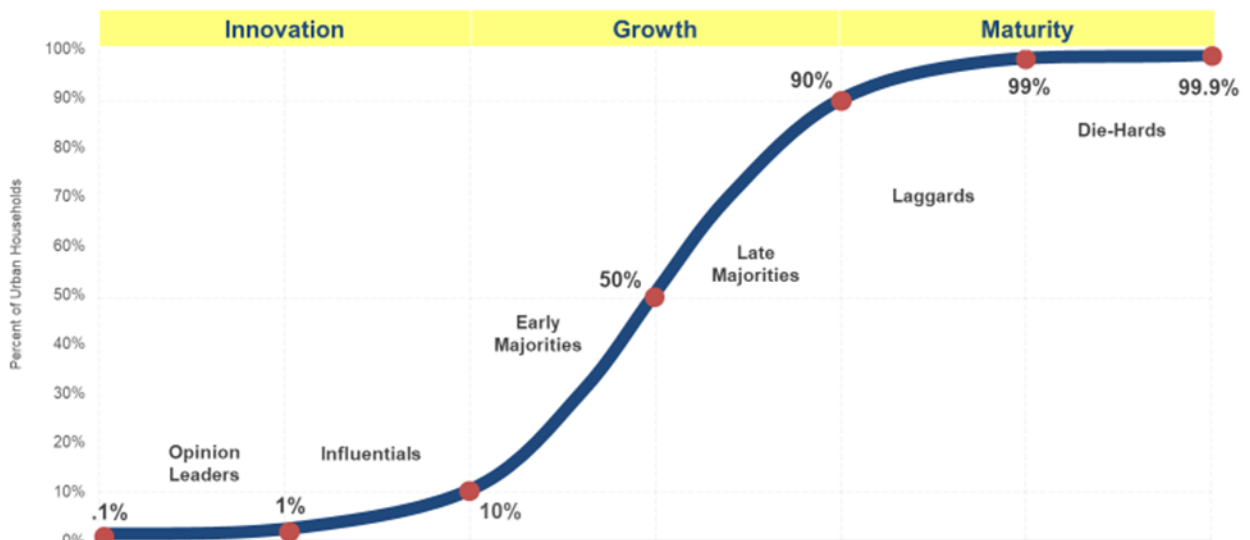
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Wonder Where the 80/20 Rule Comes From? The S-Curve

Everyone has heard the saying, “If you focus on what counts, you get much greater results.” From my observations in real life, that comes from the 80/20 rule: You get 80% of the results from 20% of the efforts. So, if you focus on increasing those efforts, you will get greater results.

My greatest tool for understanding and projecting new trends in technologies, lifestyles, etc., is the S-curve progression of adoption. It shows how human beings will adopt any new product, technology, or way of doing things in a predictable progression.

S-Curve Progression of Adoption: 80% of Progress in 10%–90% Stage



Most people are risk-averse. They like things that they are familiar with and that work today. It will take some proof and convincing to make them change to something new. Fortunately for us all, some people, the opinion or change leaders, actually love change. Those are the people who will try new ideas and adopt them first. If those leaders are happy with what they try and can prove that it works, then the less-progressive consumers eventually will follow. The truth is that people will try something new when they perceive that people who are like them are doing it. That is when the new idea comes into their world.

The adoption process is slow at first, as those innovators make up only about 10% of the population. It takes the same amount of time for a new object or concept to get from 0.1% of consumers to that 10% as it does for the object or concept to accelerate into the mainstream, from 10% to 90% (80% of the progress). It takes adoption and proof by the innovating 10% to convince the larger population to step in, which they then do, in herdlike fashion. It takes a very long time to convert the most old-fashioned people, the laggards who change only when their old product disappears or becomes obsolete.

Here's the key insight: 80% of the adoption occurs in just a single stage, one third of the S-curve progression in the 10% to 90% growth stage. But the bigger picture is that a period of invention happens before the 0.1% S-curve begins and a period of decline happens after 99.9% adoption. So, that is 5 stages in total, and 80% of the adoption comes in one stage over just 20% of the time. That gives us the 80/20 rule!

This is why the S-curve is the most important indicator for profiting from new trends. Most people don't get it at first, and that's natural. But the big mistake for businesses and investors is to not get in or to expand more strongly when a trend predictably explodes at 10%!

Harry

Got a question or comment? You can contact us at info@hsdent.com.