

64 Marketing Insights from A to Z

- Increase your *marketing effectiveness*. Marketing effectiveness represents the company's search for a more productive marketing mix. A company might increase its marketing effectiveness by replacing higher cost channels with lower cost channels, shifting advertising money into public relations, adding or subtracting product features, or adopting technology that improves the company's information and communication effectiveness.

The aim of marketing is to maximize not just your sales but your long-term profits. While salespeople focus on sales, marketers must focus on profits. Show me a top marketer, and you will be showing me a person who is financially well-versed.

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Wise companies focus. An old saying is that if you chase two monkeys, both will escape.

The mass market is made up of many niches. The problem of being a mass marketer is that you will attract nichers who will take better aim at specific customer groups and meet their needs better. As these groups are pulled away, the mass marketer's market shrinks.

Your choice therefore is whether to be a “gorilla” or a “guer-

rilla.”—to be niched or be a nicher. I would argue that there are riches in niches. The customers in a niche are happy that someone is paying attention to their needs. And if your company serves them well, you will own the niche. Although the volume is low in a niche, the margin is high. Competitors will keep out because the niche is too small to support two players.

What does a successful nicher do for a second act? What the nicher should not do is become a generalist and go after the mass market. There are three sound strategies:

1. *Sell more products and services to the same niche.* USAA, the giant insurance company, originally sold only auto insurance to military officers. Then it added life insurance, credit cards, mutual funds, and other financial products to sell to military officers.
2. *Look for latent or adjacent members in the niche.* USAA recognized that it would eventually run out of enough military officers to sell to. So it decided to extend its target market to include all members of the military.
3. *Look for additional niches.* Every niche is vulnerable to attack or decay. The best defense against the vulnerability of a single niche is to own two or more niches. In this way, the company not only enjoys a high margin from its good service to the niche, but it also enjoys high volume through owning a portfolio of niches. A good example is Johnson & Johnson, which aside from being a strong force in a few mass consumer markets, is the technical or market leader in hundreds of specialized business-to-business markets.

Nichers are not necessarily small companies. Professor Hermann Simon, in his *Hidden Champions*,³⁴ lists scores of midsize German companies that enjoy over 50 percent market shares in well-defined global niches. Examples include Steiner Optical with 80 percent of

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the world's military field glasses market; Tetra Food making 80 percent of the food for feeding tropical fish; and Becher producing 50 percent of the world's oversized umbrellas. These and other companies pursue well-defined niches in the global marketplace, and although they are less visible to the public, they are highly profitable.

Forecasting and the Future

The company that doesn't see trouble ahead is headed for real trouble. That's why it hires economists, consultants, and futurists.

Yet people must be cautious about predicting the future. Ben Franklin said, "**It is easy to see; hard to foresee.**" An old saying is that those who live by the crystal ball will eat ground glass.

So many eminent observers have made wildly erroneous predictions.

- Thomas Edison opined that "the phonograph is of no commercial value."
- Irving Fisher, eminent Yale economics professor, said in September 1929, just before the Wall Street crash, "Stock prices have reached what looks like a permanently high plateau."