

Weirdos and nobodies: finding your niche

Driven by dreams of being the next Mark Zuckerberg or Larry Page, Kiwi technology exporters can get obsessed with chasing the ‘new new thing’ that everyone wants. Like reef fish, chasing that great ‘blue ocean’ opportunity that will leapfrog your competitors, build a huge company that brings fame and fortune.

The trouble with focussing on ‘everybody’ is that it is usually a tough, competitive space. There are big, ugly competitors and a lot of risk involved in achieving success. In the technology world you are often competing with companies that have an annual turnover exceeding New Zealand’s gross domestic product.

A valid strategy for Kiwi exporters is actually to do the opposite. To target “nobody” instead of “everybody”.

Brilliant business thinker Seth Godin put it nicely in a recent [blog](#) post “Nobody wears a watch any more. Nobody wears a tie either. Nobody shops at a bookstore, at least nobody I know. The market of nobody is big indeed. You can do really well selling to nobody if you do your homework. In fact, most companies selling to nobody outperform those that are trying to sell to everyone.”

Closer to home Victoria University professor of physics and 2011 New Zealander of the Year Sir Paul Callaghan articulated the same concept in a recent NZ Herald [article](#), saying Kiwi tech exporters should focus on the ‘weird’, and be the best in the world at it.

Being successful as a Kiwi tech exporter is about doing the weird stuff, he wrote recently. Sir Paul says New Zealand firms will be successful by picking small, unexploited niches and being the best in the world in those segments.

The niche market approach can work for Kiwi companies offshore. Kiwi companies aren’t usually big enough to challenge the huge multinationals head-on, but if we can find an under-served group of customers it offers a way to enter the market.

Companies often find it counter-intuitive to limit themselves to a niche market, especially start-ups. There is that fear you can’t afford to ignore any market opportunities in case you might miss out on ‘the’ big one.

The reality is every company, not matter how large, has scarce resources (at least I’m yet to come across one that has unlimited capital). Focusing down on a vertical, or even a couple of niches, is the best way for small companies to get the most out of limited funds.

Take trying to penetrate the United States (US), a market that more than 20 percent of Kiwi tech exporters sell to according to the 2011 Market measures [study](#).

The US is big with a capital B. Big cars, big hair and a big economy. If New Zealand was a company we would only rank 13th in the 2011 Fortune 500, slightly bigger than financiers JP Morgan Chase but smaller than telco At&T. So how can our technology entrepreneurs market to a country as large, diverse and well-developed as the United States?

The potential of a multi-billion dollar market (‘healthcare’, ‘agriculture’, ‘fast food’) in the US can be alluring: “we only need to sell to 0.05 percent of them to make a fortune – let’s go!”. But it doesn’t work like that. You only have scarce resources in a white hot competitive environment where everyone is bigger and stronger. There is no way you can realistically cut through.

Tightly targeting segments of those markets with buying needs closest to what your product offers is the best approach. For generalists like the typical New Zealand entrepreneur this can be frightening, but the more you concentrate your scarce resources the greater likelihood of success.

Companies in the US that focus on narrow market niches can grow to huge size. From Software Magazine's 2010 Software 500 index there are numerous examples.

QSI service medical and dental practices and generated \$NZ315 million in 2010, making them a sizeable company by New Zealand standards. SS&C Technologies, which specialises in software for the financial services industry, turned over \$NZ347 million.

Plenty of New Zealand examples of this strategy exist. One of our greatest tech success stories, Fisher & Paykel Healthcare, are world leaders in several very niche areas like obstructive sleep apnea machines. Virtually "no-one" has OSA, but F&P managed to turn over more than \$500 million annually.

Tait Radio Communications, a leading tech exporter for many years, are enjoying a new era of growth by focussing on several verticals such as public safety and utilities rather than trying to compete with giants like Motorola across every industry sector.

Probably the most notable recent example is the rapidly growing software exporter Orion Healthcare. Theoretically Orion could have applied its smarts and software to "everyone".

Many large, rich industries could use the kind of system integration and workflow software they've developed, but they applied it to a specific niche in health. As a fast-growing, multi-billion dollar market, it is a sizeable one.

This focus has borne real fruit, building a company of 500 people with revenues of over \$100 million and growing. Orion has achieved global credibility, last year finding a place in a consortium with Oracle and Accenture for a \$144 million deal with the Singapore government, and recently acquiring the hospital information system assets of a little company called Microsoft.

Even within their healthcare vertical, Orion have learnt the power of being single-minded. In a magazine interview, company founder Ian McCrae said the company initially tried to expand too fast in the US health market, entering too many states too quickly. They refocused on a smaller area and grew steadily from there: that market now making up the majority their sales.

How can you choose what to aim at? And how can you be sure it is the best opportunity?

The simple answer is that you can go through a process to prioritise your niche but you still can't be sure, but it is better to focus on something, rather than spray your resources around. Once you have achieved some traction and dominated in one niche, no matter how small, you can move on to another with the aim of mastering that.

Don't be a reef fish, chasing the latest and greatest market opportunity. Choose a bunch of 'nobodies' or 'weirdoes' that aren't being looked after well and you could end up being a somebody.

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