

10 Steps to High Margin Niches

Following is an outline of our approach and the key lessons from our study of comparison companies

1. Understand the Cost of Bad Industries

- 1.1. [...Buffett and Welch quotes](#)
- 1.2. Understand how low commodity prices will go
- 1.3. Understand changes throughout industry life cycle

2. Decide on Your Core, True Differentiators:

- 2.1. How many bidders do you compete with?
- 2.2. Why operational excellence is not enough
- 2.3. Single major account focus as differentiator +/-

3. How to Fund Growth Into Higher Margin Niches: Portfolio Analysis

4. 5 Year Financial Projections (Hi/low/medium)

- 4.1. **Decide on Your Gross Profit Hurdle Rate** (40%?)
- 4.2. **Decide on Your Sales and Marketing Spending Rate** (20%?)

5. Decide on New Niche(s) to Pursue

- 5.1. Why industry-focused niches produce highest value for customer
- 5.2. Wall chart analysis: Differentiators + All Possible Niches = Best Niches

6. Niche 1 90 Day Test Market: Prepare, Fund, Organize

- 6.1. Why the niche market test must be “incubated separately”
- 6.2. Whole Product Solution to Urgent, Compelling Need
 - 6.2.1. Partners as needed
- 6.3. Profile of Target Decision Maker
- 6.4. Success Stories to communicate your value
- 6.5. Sales Talent:
 - 6.5.1. Phone, Mail, Email
 - 6.5.2. Face to Face
 - 6.5.3. Sales Support Team
- 6.6. Identify Prospect Companies and Decision Makers
 - 6.6.1. First 20

6.6.2. 2nd and 3rd groups of 20

7. Execute Niche 1 90 Day Test Market

7.1. Weekly monitoring

7.2. Ruthless qualification of prospects

8. Expand Niche 1 due to results or stop and switch to niche 2, niche 3

9. Other “Must Do” Items

9.1. “Meritocracy” and leadership development

9.2. Get to “operational excellence”

9.3. Get to “focus, high-value-for-customer, sales” culture

9.3.1. Rules for pursuing business outside the niche

9.4. Stop selling to IT. Reshape the offering toward a line executive with an urgent, compelling problem and a budget

10. Expand to Adjacent Niches

Documentum Case Key Points: See case and recording with CEO

[://tomingraminc.sharepointsite.net/Public/DocumentumConferenceCall.htm](http://tomingraminc.sharepointsite.net/Public/DocumentumConferenceCall.htm)

1. Why narrowed focus from 1 million prospects to 40

- How this reduces investor risk and cash burn rate

2. How closed 30 of those 40 prospects in first year at \$2.5 million+ per sale

3. Focus culture: why competitors can't or won't duplicate

4. How narrowed niche candidates from 75 to 4 to 1 – ranked by market validated customer pay-back

5. The rule on taking business outside your top niche

6. You don't need the perfect niche or perfect pitch. Get after it. Get customer feedback and modify offering as you go. Key benefit is focusing the entire company on a single, super-high-value-for-customer niche

- Listen to the customer describe the problem in their own words

7. How stop selling to IT, reshape your offering to get appointments with a single, line of business decision maker

8. Grow into other niches through referrals from the first niche – why an unfocused approach defeats the referral process

9. Value of defining a niche small enough that you can dominate it

10. How to shorten sales cycles

- Why the whole product solution is critical

11. Getting to a culture that thinks in terms of “super-high-value-for-customer” – not “what we do”

12. Saw that strategy was working within 60 days

13. Entire sales organization must understand the "urgent, compelling problem that we solve"

14. How to Stop Wasting Money in Sales Efforts:

- **Medium level sales person executing a focus strategy is superior to a very senior person with a big rolodex**
 - Give a sales person a list of who to call on, what to listen for, what to sell
 - TRAP: Not doing the homework to give salespeople an effective prospect list and compelling, urgent solution a problem
 - TRAP: Failing to ruthlessly qualify
 - TRAP: Failing to simplify message to three things: "Here are the three things we do that solve the compelling business problem"
 - Walk away from big deals that pull you off your focus - Harvard Case Study
15. Understand resistance expected

Fiserv Case Key Points: See case

[://tomingraminc.sharepointsite.net/Public/No29FiServSuccessStory.pdf](http://tomingraminc.sharepointsite.net/Public/No29FiServSuccessStory.pdf)

Case Outsourcing Opportunities Chart

1. **How to produce good financial results during recession – tech bust.**
2. Help narrow set of customers solve extremely high value set of problems
3. Help solve inherent problems with internal IT departments – notoriously ineffective
4. Help customer with rapid change and improvements to processes
5. Help customer who has far more work to do than people. Often during industry consolidations
6. Software is less than 6% of sales, but sells large amounts of services.
 - a. Use technology to only solve important customer problems
7. How to Beat the Big Guys: Focus on middle tier customers
8. Link customer success, results, satisfaction with company employees and leaders
9. Sustain the focus on customer satisfaction and results
10. As outsider, better able to overcome 75%+ failure rate of process reengineering efforts
11. Doing acquisitions right
12. Customer satisfaction and retention measured before earnings and returns, primary factor in executive bonuses
13. Effective sales recognition, compensation plans, 100% club
14. Care of your people
15. **Fiserv has found a way to solve the most difficult IT and customer problems (ineffective IT departments, process reengineering and too much work for too few people) in ways that their customers are happy to pay a premium for.**

Docucorp Case Key Points:

[://tomingraminc.sharepointsite.net/Public/No28DocucorpSuccess%20Story.pdf](http://tomingraminc.sharepointsite.net/Public/No28DocucorpSuccess%20Story.pdf)

1. **How to produce good financial results during recession – tech bust.**
 - a. Focus on profitability and cash flow
 - b. Focus on simple, straight forward business plan

- c. Added more sales and marketing people
- d. Redoubled efforts with existing customers
- 2. After five years of struggling, chose focus, saw it was working in 6 to 12 months**
- 3. Focus on a small niche, dominate it, move to next niche
- 4. Staying focused
- 5. Why narrowed prospects from 1 million to less than 500**
 - a. Narrowed focus to a single application – policy production – for insurance companies
- 6. Stopped trying to sell technology to anybody who would listen
- 7. Stopped selling to IT. Found important business problem to solve and got appointments with senior line executives**
- 8. Success Indicator: Significant referrals from happy customers, recurring revenues**
- 9. \$75 million in revenues from just a handful of niches
- 10. Leadership team: Invested in developing, company was too dependent on a single, top person
- 11. True solution selling instead of “product, feature, benefit”
 - a. Price competition is not a factor (Differentiation success indicator)**
- 12. How to motivate technical and support people to sell
- 13. Success measure: Billability and profitability of individuals
- 14. Walking away from bad business, bad outcomes for customers, business that pulls you off focus
- 15. Doing acquisitions right – only one in five years
- 16. How to shorten sales cycles**
- 17. Industry focus is superior to horizontal focus**
- 18. Build recurring revenues (services) instead of being dependant on a big injections of cash from big sales of software

Jack Henry Case, Additional Points Not Covered Above: see [://tomingraminc.sharepointsite.net/Public/No27JackHenryProfitable30Years.pdf](http://tomingraminc.sharepointsite.net/Public/No27JackHenryProfitable30Years.pdf)

- 1. How to be profitable during recessions, every year, for 30 years**
- 2. Customers are so satisfied, sales people bring prospects to user conferences of 1500 people and turn them loose to talk to whoever they want to talk to**
- 3. High margins as indicator of customer satisfaction:**
 - a. Often the highest price, occasionally lose on price, happy about it**
- 4. Stop selling to the IT department – sell to line executives with a significant problem and a budget
- 5. Sustained focus on customer excellence – NOT DISTRACTD BY STOCK PRICE, QUARTERLY EARNINGS, CASH-OUT DREAMS