

A blue world map with white location pins scattered across various continents, primarily concentrated in North America, Europe, and Asia.

IGNORE ECONOMIC PREDICTIONS:

INSULATE YOUR COMPANY THROUGH GEOGRAPHICAL DIVERSIFICATION

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It's easy to fixate on what the pundits are predicting for the economy in 2014 at this time of year. My advice: Ignore them. The fate of most small to midsize firms doesn't rest with the consumer confidence index or S&P 500. In fact, obsessing about indicators like this can give you a convenient excuse for failing to do what you need to make your company successful now.

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There's plenty of business out there. The world's GDP is currently about \$72 trillion. Even if the economy shrank by \$10 trillion, there would still be plenty of customers for you somewhere on the planet. If you can't find enough business, it's your fault – likely a failure to adjust one or more of the four P's of marketing (Product, Price, Place, or Promotion). You've probably heard the expression “the bottleneck is always at the top of the bottle!” Well, whether you grow or not is more dependent on your decisions than the direction of the economy.

HYPERSPECIALIZATION

The key to growth right now is hyperspecialization of your products or services, a term popularized by a recent Harvard Business Review article by the same name. As competition increases globally, you are better off focusing your expertise on as narrow a niche as you can and then following that niche around

the globe, rather than trying to be everything to everybody locally. This approach also makes it easier to maintain pricing power and focus your distribution and promotion strategies.

As marketing consultant Tim Williams pointed out in a recent LinkedIn article, the number one reason marketers search for a new advertising agency is the search for “best in class” specialists. Most clients are looking for solutions – and the best answers to their problems “spring from deep areas of expertise, not from ‘a wide range of experience,’” as he puts it. CJ Advertising, a fast-growing agency in Nashville, embodies this trend. By hyper-focusing – and serving only personal injury law firms better than anyone else – the company is thriving.

It’s not just in advertising where hyperspecialization works. Hermann Simon, chairman of the global pricing consultancy Simon-Kutcher & Partners, found that hyperspecialization works across many industries, as he discusses in his book Hidden Champions of the 21st Century. Studying the successful middle-sized companies that have powered the German and other economies around the world, he found that most have made themselves global leaders in a relatively narrow niche, even when confronted with giant competitors.

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DIVERSIFY GEOGRAPHICALLY

Diversifying your geographical base is important because it will insulate you from the vagaries of your local economy – the one that affects you the most. A big plant’s closure or natural disaster can hit your company hard if all of your customers are located in your city, whether it’s Detroit or San Diego. But if you’re also selling to customers in China or Australia, you’ll be able to keep growing. And the internet allows any firm to more easily reach into far away markets.

Of course, this also means competitors 12 time zones away can reach into your local markets. For this reason it's ever more urgent that you stay on the offensive and enter their markets before they enter yours. By spanning the globe you're more likely to learn about potential competitors and stop them in their tracks before they diversify geographically themselves.

RIGHT SIDE OF DEMOGRAPHICS

At the same time, there is one trend you can't ignore – shifting demographics. Winnebago is a good example. It's hardly a new brand, but revenue and profits are booming. Why? The population in many of its markets is aging – and older people love RVs. In the real estate world, the rental market is booming, because many Americans can't afford to own a house and need a place to live. Landlords who have kept ahead of the trend are thriving.

Staying ahead of these demographic trends vs. economic predictions means knowing the data that drives the success of your business and using it to plan for growth. As the late W. Edwards Deming, the father of total quality management, often preached, the fundamental job of a leader is prediction, and when companies stumble, it's often because leaders have failed to use the information at hand to forecast where they should be heading.

If you want to grow, this year, take your eyes off the economic headlines. Instead, pay attention to demographic trends and stay focused on getting better at what you do than anyone else. That'll give you the calling card you need to break into new territories – and may even get some of those distant customers you need to come to you.

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