

Niche Marketing: Where Quality Is Better than Quantity

Please all, and you will please none.

— “The Man, The Boy, and The Donkey,” Aesop’s Fables

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Aesop's *Fables* contains some of the most well-known short stories. To this day, the fables remain a popular choice for illustrating a particular moral or teaching a life lesson. Written in the 5th century B.C., these fables have stood the test of time and serve often as staples for educational curriculum and business training programs.

Among the collection of 665 fables that Aesop wrote is one entitled "The Man, The Boy, and The Donkey." In this fable, a father and son are walking to the village market — by their side is a donkey brought to transport supplies back home. Along the way, the two are stopped by people passing by — each time resulting in a different viewpoint of how best to use the donkey for travel. Instead of concentrating on fulfilling their intended mission — arrive at the market, get supplies, and return home — the man and the boy get caught up in trying to follow each suggestion. In doing so, they get off track, an accident occurs, and the donkey ultimately drowns. If only they had pursued one idea (rather than trying them all), the donkey would have lived and their mission would have been a success. Instead, as a result of trying to please everyone, their mission failed.

Aesop's moral of the story, "Please all and you will please none."

What does Aesop have to do with niche marketing? Perhaps, as marketers, we should adopt his moral as our own: Instead of trying to be all things to all people, we should focus on one or a few things and do them well.

Not long ago, conventional wisdom predicted that the financial services industry would be dominated by a small number of national and global giants offering a "supermarket" approach to financial services. The epitome of this concept was Citigroup — the largest financial services company in the world after the 1998 merger of Citicorp and Travelers Group. The global financial services giant had operations in banking, investments, and insurance. While Citigroup had a significant resource advantage, were the unique expectations of consumers better served by smaller organizations? Within five years of the merger, Citigroup began shedding businesses. Though largely a result of the economic downturn, the organization recently spun-off Primerica and merged

Smith Barney with Morgan Stanley, in a joint venture majority-owned by Morgan Stanley. Clearly the supermarket approach was not the answer.

Perhaps the future now belongs to organizations and sales professionals that concentrate on specific markets and products. Companies may fare better with a narrow, targeted approach than with a wider view. This article — adapted from LIMRA's 2011 Strategic Issues Series report *Niche Marketing* — explores niche or target marketing, and will help companies and sales professionals by providing insight into:

- Why producers should consider specialization
- How to choose a niche
- Key success factors for companies
- Getting producers interested in the niche marketing opportunity

Why Specialize?

An expert is more effective than a generalist and the only way to get expertise is to focus on a small number of things.

— Independent agent, 20 years of experience

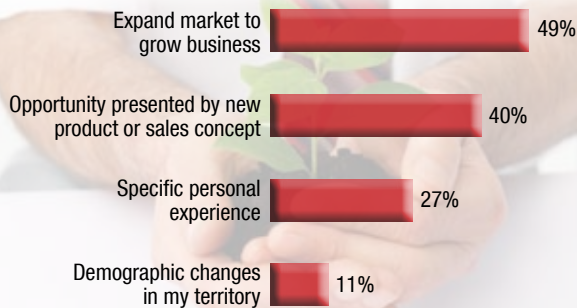
Being a specialist rather than a generalist clarifies which solutions a sales professional provides, which can help attract clients. Specialists can make a strong benefit statement in their marketing: "I help small-business owners achieve their financial and growth goals." This description is more powerful than a generalist's "I do financial planning."

By developing an expertise in a specific market, sales professionals can provide tailored solutions that meet the unique needs of the niche they serve. Further, they can develop their professional practice in areas that align with their personal values and experience: ethnic groups, families with special-needs children, nonprofit or family-owned businesses, or specific professions. A niche strategy affords sales professionals the opportunity to provide valued service to people whose commitments they share and respect.

Being a generalist requires a broad knowledge base that is often difficult to maintain. It may be easier to focus on a few specific markets or products and develop

Figure 1

Why Producers Choose to Enter Niche Markets (Multiple responses)



Source: LIMRA (2011)

an expertise, rather than try to keep up with all that is available. In an era of heightened compliance and suitability scrutiny, understanding the needs of a specific niche enhances the sales professional’s ability to recommend appropriate solutions.

Becoming a recognized expert in a particular field can help sales professionals to obtain referrals. Their reputation will precede them and customers will respect their specialized knowledge. Seventy percent of producers say they operate in a niche market. The decision to become a specialist is most often made in order to expand a practice, or by seizing an opportunity presented by a new product or sales concept (Figure 1).

About one quarter enter a niche market due to a specific personal experience, such as a career or life event, while others become specialists in a given market due to their affiliation with a primary carrier. For example, the producer’s primary insurer could specialize in a niche market, such as a fraternal organization.

While no single niche dominates, the most popular types of niches among insurance producers are based on small businesses (especially contractors and family businesses) and demographics (Figure 2). The demographic niche is further segmented into seniors, women, and ethnicity (principally African Americans, Asians, and Hispanics).

Figure 2

Current Types of Niches (Multiple responses)



Source: LIMRA (2011)

Product-wise, insurance professionals tend to focus on life insurance, health insurance (including Medicare Supplement), retirement solutions, disability income insurance, and long-term care insurance.

Health care professionals are the primary profession targeted. Favored segments include physicians, dentists, and nurses. There are some differences, however, among sales reps. Independent producers (who tend to be more experienced) drift to higher-end professionals (accountants, engineers, and lawyers), while affiliated agents (those who sell primarily or exclusively one company’s insurance products) are more drawn to the middle market with a focus on the education sector.

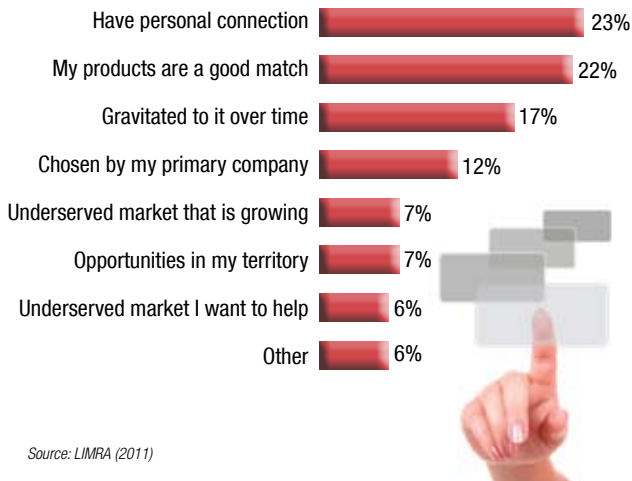
Choosing the Niche

Niche marketing requires specialization and a concentrated effort to understand a particular market or product. Therefore it is essential that producers choose a niche that aligns with their own goals and interests. Sales professionals should consider a two-pronged approach when choosing a niche: They should identify their best clients and follow their passions and interests.

The first step in identifying their best clients is to review the book of business. Producers should flag favorite clients who also value the relationship — and who meet the sales rep’s target financial profile. Next, they can determine what these clients have in common:

Figure 3

How Producers Choose a Niche (Single most important reason)



- What do they do for a living?
- What are their interests?
- What needs do they have?

Why are some clients not “favorite” clients? Are they high maintenance and low return? This is an opportunity to determine if the relationship should continue.

Now is the time to shed unprofitable clients in order to focus on those who will help the practice thrive.

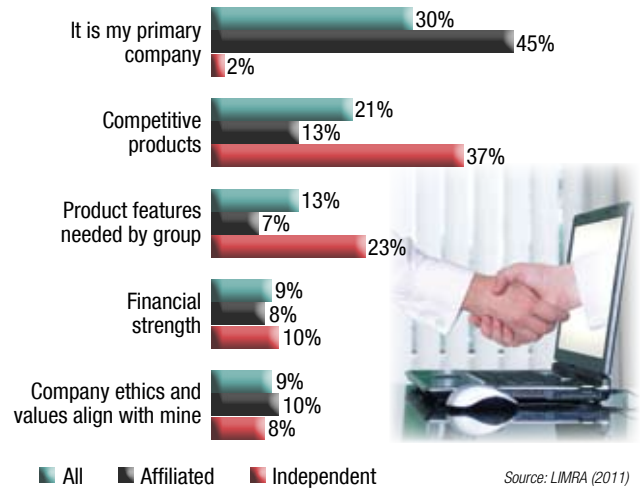
Next, producers should consider their passions and interests. Do the people who share these interests fit the profile of a favorite client? Sharing common interests with prospects helps create trust as the relationships are established. The connections made through volunteer activities, personal experience, hobbies, and interests create a pool of prospective clients.

Professionals should exercise good judgment when selecting a niche, and must answer some important questions. Can the niche support the practice? Is this a growing and sustainable segment? Is there a demand from the niche for what the sales professional has to offer? How competitive is the landscape? If few others have tapped into the niche to market financial services products, it could be a sign that the niche is not viable.

Nearly half of producers choose their niche for personal reasons (Figure 3). Either they have a personal connection to it, or the products they offer are a good

Figure 4

How Producers Choose a Company (Single most important reason)



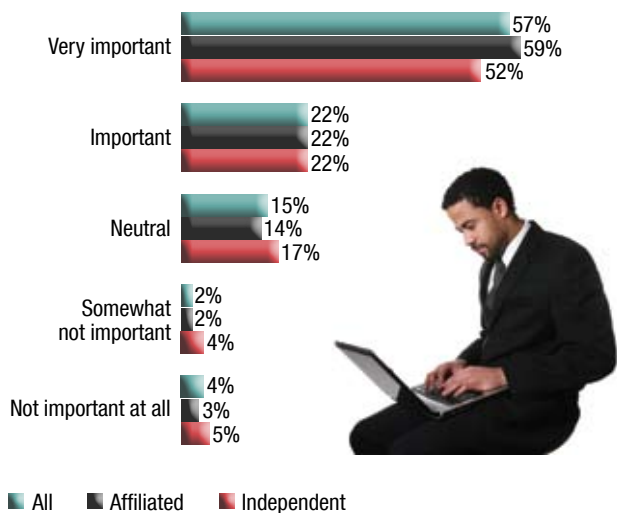
match for the group. Lack of experience also influences the choice of a niche. For 4 in 10 producers with two years or less of experience, the niche was chosen because of their primary insurance company. However, only about 1 in 8 of *all* producers identify this as a reason

Once they have identified a niche, producers should take several steps to successfully engage it.

1. **Study the niche** What are the unique needs and challenges of its members? Sales professionals must give them exactly what they want, and how they want it.
2. **Organize the practice** What is required in order to best serve the niche? For example, a sales professional operating in the Hispanic market should have a bilingual staff.
3. **Separate from others** Sales professionals must differentiate themselves from other advisors already serving the niche. What can the new entrants do better? Develop a unique solution, don't copy one.
4. **Deliver the message** Marketing messages should be designed specifically for the niche. Sales professionals need to “sound” like members of the niche and speak their language. If sales professionals publish articles in newsletters read by the niche, they should use the appropriate vocabulary to establish themselves as members of the niche. Further, consider delivering

Figure 5

Importance of Ongoing Training When Choosing a Carrier



Source: LIMRA (2011)

Figure 6

Preferred Training Method



Source: LIMRA (2011)

the message not only to the niche, but also to those who may influence the niche — such as attorneys and accountants.

5. **Know where the prospects are** Sales professionals should entertain the idea of becoming a member of the same organizations and clubs as the niche. Attending industry meetings and providing content to programs is another way to strengthen the bond with the group. Participation in service or educational events can provide additional visibility. Local organizations and faith communities may respond well to offers of non-sales presentations on topics such as employee benefits for small businesses, planned bequeathing, making Medicare Supplement decisions, or defining retirement income needs.

Independent reps are more likely to seek competitive products and features that are needed by the niche when selecting a partner (Figure 4). Since independent producers are contracted with multiple companies, they are more sensitive to the competitiveness and features of products, and are more likely to shop

business around. In contrast, affiliated agents do not have the same choices, and these producers most commonly choose a carrier based on it being their primary company.

Key Success Factors for Companies Operating in a Niche Market

Both sales professionals and companies that operate in niche markets cite similar key success factors. While specific needs and solutions vary by niche, producers feel that the following five elements hold true — despite the differences among niches:

1. **Understanding the niche.** Producers who are successful in a given niche have a deep understanding of the group, and expect the same from their product partners.
2. **Competitive prices.** This is largely an attribute of independent producers (Figure 4). However, affiliated agents are also sensitive to price, reflecting the financial pressures of the niches they serve.

3. **Consistent underwriting.** Just as baseball pitchers want consistent calls from the home plate umpire, producers want predictable underwriting results from insurers.
4. **Sales and marketing support.** Beyond published materials or brochures that highlight product features, producers value strategies to enter new markets or deepen existing relationships. They also appreciate consumer educational materials that support sales concepts.
5. **Designing products for the specific niche.** Producers are looking for innovative product solutions designed with the niche in mind. For example, companies that support the education market need to offer products

that take into account the unique pension systems and benefits available to that group. Producers cite several specific success factors that are unique to a company's given niche (Table 1).

Many producers are challenged to keep current on products and regulations that affect their niche market. When choosing a carrier, sales professionals place a high value on receiving ongoing training or information related to the niche (Figure 5). Insurance producers prefer interactive training conducted face-to-face in a classroom, rather than self-study programs or one-on-one meetings with their managers (Figure 6).

Table 1

Niche Market Success Factors



	Niche	Key Success Factors for Company
Small Business		<ul style="list-style-type: none"> • Identify market trends • Provide bottom-line solutions with high-touch service
Demographic	Affluent Ethnic	<ul style="list-style-type: none"> • Responsiveness and attention to detail • Cultural sensitivity
Product	Health insurance Long-term care	<ul style="list-style-type: none"> • Sales are price-sensitive, minimize renewal increases, and keep coverage affordable • Solid underwriting from the beginning to avoid future premium spikes
Professional	Agriculture Education Engineers Physicians	<ul style="list-style-type: none"> • Understand farming and have the flexibility to keep up with changes in the farming industry • Products and support tailored to the niche • Understand their mind-set; many like to be in command • Strong referral support. Physicians value recommendations from colleagues

Source: LIMRA (2011)

Conclusion

Much has changed in the new millennium, and the idea that “bigger is better” may not hold true. Today’s consumers increasingly want solutions that meet their unique needs, and niche marketing could satisfy them. Specializing has its advantages; developing an expertise can lead to deeper, more lucrative, and satisfying client relationships. But success doesn’t come easily. Carriers and producers that operate in a niche market must have in-depth knowledge of the group and provide solutions that meet the group’s unique needs and challenges. In niche marketing, size does *not* matter.

Smaller, more nimble organizations can successfully compete head-to-head with much larger organizations. The cost-efficiencies of larger organizations may be balanced by the personal responsiveness and relationship focus of smaller carriers.

Although he lived 2,500 years ago, Aesop supported the concept of niche marketing in another fable: “The Vixen and the Lioness.” The moral of that story? *Quality is better than quantity.* 🌐



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