

Niches keep firms from falling through cracks

Developing new markets, product lines crucial to surviving in a downturn

By Ann Meyer
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Warren and Ken Brand know one small niche can sustain a family business. But when the economy falls, two target markets are better than one.

Their father, Ray Brand, launched Chicago Tank Lining 50 years ago to repair leaky fuel oil tanks. When that industry declined, the company moved into lining large storage tanks, then water tanks, gasoline tanks and even sulfuric acid tanks for nuclear power plants. Now, the Evanston-based company has entered the swimming-pool lining business, targeting high-end residential and commercial pools, as it looks for new growth opportunities.

Launched two years ago, Pool Armor, a proprietary pool-coating product and service, now represents about 30 percent of the company's \$1.2 million in annual sales, said Warren Brand, president of Chicago Tank Lining Sales Inc.

"What we're trying to do with this economy is be very aggressive with our marketing," he said.

If the Brands discovered anything through the years, it's don't put all your eggs in one basket, because you never know when that basket will crash. It's a message many small businesses are learning from the recession, as the markets they've relied on for years disappear.

While many businesses pull back expansion plans during a downturn, market diversification through innovation is the key to long-term success, experts said.

"Many companies just freeze," said Demetria Giannisis, president and chief executive of the Chicago Manufacturing Center. But that's not the best approach. Instead, companies are better off if they are disciplined about seeking new markets.

"Historically, companies think of innovation as a punctuated evolution of an idea. The reality is you shouldn't wait until the life cycle of your product is so mature that your sales are dropping," Giannisis said.

Seeking new markets early and continually can lessen the blow if a sector declines.

"The business we don't have today is what we didn't do two years ago, because the cycle is about 18 months," said John Winzeler, president of Winzeler Gear, which develops and makes precision molded gears for automotive suppliers.

The Harwood Heights company employs 35 workers, down from 40 last year. Winzeler Gear has emphasized creativity and new-product development, but its gears ultimately end up in cars made by Chrysler LLC and General Motors Corp., so it got caught when auto sales dropped last year.

"We relied on too few customers for too long and not enough diversification," Win-



Warren Brand, president of Chicago Tank Lining Sales, helped build the company's 2-year-old swimming-pool liner business into 30 percent of sales. ANDREW A. NELLES/PHOTO FOR THE TRIBUNE

zeler said. "We never were too worried about who the end user was. Today, if the only end user is GM and Chrysler, we have to look further down the screen."

Instead of standing still, Winzeler enrolled in a marketing program for executives last fall at Northwestern University's Kellogg School of Management. Now, the company is developing gears to be used in Volkswagen and Honda cars, and it is working with materials supplier DuPont to develop gears for new uses.

"Our goal is to get to the other side of this economy and be better than we were at developing new opportunities," Winzeler said.

Sometimes, developing new positioning for an established product is all it takes to

cultivate customers. It starts with being sensitive to changes in the market, Giannisis said. In a recession, companies need to adjust their "value equation," she said.

"Your job is to figure out how to evolve the value you're offering your customers and break through to offer them value in a totally different way," Giannisis said.

PortionPac Chemical Corp. has done that by changing the way it sells its cleaning supplies. The company, which has a less-is-more philosophy and strives to educate customers on a more efficient way of cleaning, markets to hotels and others on a flat fee or per-room-cleaned basis. Educational materials and hands-on training is included in the price.

"You want to sell your product in a

different way," Chairman Marvin Klein said.

In an industry known for extending product lines to drive business, PortionPac does the opposite by paring the list of necessary cleaning products, saving clients money. The company packages its concentrated cleaning solutions in premeasured pouches to save on energy and shipping and to make it easy for customers to use just the right amount.

"It has a dramatic impact on the environment and the energy that's used, but it's also a tremendous savings for schools, hospitals or hotels when people use less," Klein said.

The shared-savings approach has helped the 100-employee company continue to grow despite the recession, President Burt Klein said. "We've taught our customers to use less, so we're not on the chopping block."

PortionPac, which has moved toward direct sales due to consolidation among distributors, knows small, niche markets can develop over time. Chicago Tank Lining agrees. After getting a few unsolicited calls to line swimming pools, it developed the Pool Armor brand and launched [Pool Armor.com](http://PoolArmor.com). The brand is centered on a proprietary epoxy formula, and the company restricts its use to certified applicators. That allows the company to offer an extended guarantee, Warren Brand said.

"I would rather not sell the product at all than have someone install it wrong and get a bad name," Brand said. "We're trying to market it as if it's a monopoly."

Having two distinct markets has helped the company weather the recession, Brand said. He learned the importance of looking for new markets in the 1990s after the federal government issued requirements to protect underground storage tanks that were in effect for a 10-year period. New firms cropped up to meet increased demand, but they didn't last.

"About 60 percent of the companies disappeared within two years of the regulations ending," Brand said. "Nobody had planned on what to do when all this dried up."

For Chicago Tank Lining, however, business continued. "We had done a lot of marketing and cold calling to pick up where we left off so we wouldn't have to lay off anyone," Brand said.

Now he is taking that approach again, focusing on selling Pool Armor nationally. Besides the Web site, Brand said he has launched an aggressive marketing effort using postcards, faxes and phone calls to generate jobs right away, while also setting the groundwork for future sales by attending trade shows, drafting white papers and writing articles in trade publications.

"We're pulling out all the stops."

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