

Equity Pirates - Is your Business at Risk?

In this report we will examine the rise of the Equity Pirate, the impact they may have on your business and provide some strategies for ensuring your business has a balance of sustainable target markets.

When did MJH Group notice Equity Pirates?

At MJH Group, part of our role as a marketing company is to keep track of social and economic trends and assist our clients to capitalise on new markets and insulate against potential risks within their target market.

In 2006 we identified, and have since watched, a segment of the market that MJH Group have labelled "Equity Pirates" and built a profile on this customer.

In this article MJH Group will cover the following questions;

- Who are Equity Pirates?
- What have they been doing?
- What can we expect them to do?
- What does it mean for your business?
- What can you do to reduce the risk of servicing one segment of the market?

Who are Equity Pirates?

Societies move in trends and economies move in cycles.

Over the past few years we have seen a shift in consumer behaviour. The flamboyance and extravagance of the heady 80s gave way to the post crash austerity of the late 80s and early 90s.

During the past 10 years we have seen consumer confidence rally and build. Many businesses have enjoyed good times and built strong and successful luxury offerings directed at middle and upper markets.

Middle market luxury offerings are the domain of the Equity Pirate.

Equity Pirates have driven the demand for; investment properties, plasma TV, private schools, new cars, luxury cars, new homes, renovations, designer furniture, high end watches and non essential consumer goods.

MJH Group has defined Equity Pirates as "middle market". Equity Pirates live in a wide span of areas such as Balywn to Blackburn, Brighton to Berwick and Bondi to Baulkham. Equity Pirates typically have two incomes, children and access to capital wealth available in their home which the property boom has seen dramatically increase in value.

Equity Pirates are living a good life financed by steadily drawing down on this capital wealth.

It is no accident that the increase in property values and the rise in consumer spending has been paralleled by easier access to this capital.

"Households now owe \$160 for every \$100 of disposable income up from \$50 in the early 90s" (The Age 2nd June 2007)

Is Your Business at Risk?

In our opinion, any business geared to supplying the Equity Pirate is at risk however it is the non-essential consumer luxury purchases that will be hardest hit.

The risk is driven by 3 key factors;

1. Eventually the rate of spending will eat up the equity
2. The Equity Pirate will suddenly discover that their mortgage repayments have risen dramatically further reducing the cash they have available
3. Any cyclical downturn in the property market (or rise in interest rates) will aggravate the first 2 factors, heavily reduce confidence and impact spending

What Can You Do?

Start planning now! MJH Group suggests considering the following;

Market Segmentation

- Undertake a market segmentation study to identify potential new markets and start courting their support (see below for our special offer)

Re-position

- Change the positioning of your offer to appeal to new markets

Commercialisation

- Re-commercialise your offer
- Refine it so that it is more appealing
- Re-engineer it to be more affordable
- Add something unique to make it stand out from the crowd
- Create a new product to appeal to a new segment of the market

Customer Understanding

- Conduct research to understand exactly why your current customers are buying from you
- Determine the reasons for lost business
- Use this data to refine your offer to make it more appealing

More Information?

MJH Group are the outsourced marketing specialists!

For more information on Marketing Strategy, Outsourcing your Marketing Management or our Customer Understanding programs, please contact MJH Group on 03 9428 1315 or email us at enquiries@mjhgroup.com.au

We'll be happy to help!

About MJH Group

MJH Group is about answers, road maps, clarity and direction.

It's time you had answers!

Our marketing programs and services answer your marketing questions and needs.

MJH Group Marketing supports companies of all sizes who want to be more innovative and effective in their marketing. We provide marketing advice and expertise to develop strategic and tactical marketing programs.

Our customer understanding programs answer the questions that you have about your customers.

MJH Group Customer Understanding assists companies who want to improve customer relationships and find opportunities for business growth in their customer and prospect base.

Get experienced marketing resources working on your business for one or more days per month.

For more information on MJH Group or our services, or to suggest a topic you would like covered in a future report, please contact us on 03 9428 1315 or enquiries@mjhgroup.com.au or visit our web site www.mjhgroup.com.au

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