

To niche or not to niche?

Part two

BY STUART GORDON

What a niche is and why you want one

In the last issue we looked at the benefits and bonuses of niche businesses—developing a niche lets you direct your attention on a smaller percentage of the market, delivering a specific product or service to people who *really* want to buy it. This prospect can be scary, particularly if you're already running a generalist business, because it seems like you're limiting your potential customer base. But what you're really doing is focusing your efforts—making your business stand out from the crowd, establishing your expertise in a particular area and ensuring that 100 per cent of your advertising is being directed at the people who want what you've got.

So you're convinced. The focus and exclusivity of a niche is *exactly* what your business needs. But how do you go about selecting a niche and keeping it profitable when you've got one?

Finding your niche

Making a niche business work is like being a good matchmaker. You've got a product or service to sell and there are specific people out there who will love it at first sight, so your job is to bring them together.

The trick is to make your niche *specific*. What is it that you've got that other businesses don't have? Is your offering unique or a variation of an existing product? You don't always have to reinvent the wheel, as long as what you're offering has value to your potential market. For instance, Amazon's Kindle reading device doesn't change the books that customers buy—you won't reread your Agatha Christie and find that somebody new committed the murder—but it *does* change the way we *buy* books, embracing new technology that is rapidly becoming part of everyday life.

What not to do

A lot of businesspeople claim that their niche is price, but in reality, price is a poor differentiating factor. It's something that any of your competitors can copy, undercutting your market share and decimating your nonexistent 'niche'. The beauty of a true niche is that it removes the limitation of price: if you've got exactly what people need, they will be willing to pay a premium for it. A business that chooses price as a differentiation strategy is locking itself into a low-profit rut—assuming that it's making a profit at all. Low prices should be a short-term strategy; used to attract customers so that you can create loyalty that will remain strong once prices bounce back up. A business that boasts a niche in price is usually just a generalist business with very badly balanced books.

Other businesses claim that they offer the best customer service around. But these days, excellent service and affordable prices aren't a specialist area—they are the basic prerequisites of a successful business. To create a true niche, you need to offer something that your customers *can't* find anywhere else.



To get an idea of the difference between the ordinary and the innovative, think about Rentsmart. On the surface it appeared that its niche was price, making it easier for ordinary people to buy computers. But what it was *really* selling was a monthly payment plan—it didn't offer computers for peanuts, it just offered a new way for customers to hand over their money, and the market lapped it up.

The business gift that keeps on giving

Choosing a niche is one thing—making it a success is something else entirely. When you've selected your niche it's vital to let your customers know that you've got *exactly* what they've been looking for—you need to focus your advertising on your exclusivity. Your strength lies in the fact that you've got the one thing they've *never* been able to find, and all they have to do to get their hands on it is come to you. The trick is to make sure that they all know about it.

And far from creating limitations, a well-chosen niche gives you lots of opportunity to expand and excel. Once your niche is established, think about how you can make your offering even better, giving your customers variety without succumbing to the generalist urge. A business selling handmade acoustic guitars might *seem* limited, but think again. Acoustic guitars have a variety of designs, materials and musical heritages to choose from—so many, in fact, that the options are almost endless.

Finally, to ensure success you need to make sure you never rest on your laurels—there will *always* be a copycat ready to steal the market share you've so carefully cultivated. The secret is to remember the key element of running a successful niche business: be different *and* be the best. Do that and you've got it made.

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