

Make Money from Niches

The Book Chris Anderson, *The Long Tail: How Endless Choice is Creating Unlimited Demand*, Random House, London, 2006.

Speed RAP There is money to be made in very small niches. The big shift has been in access to the Internet. Previously to make a good profit you needed high production volume and a best-selling product. Now, through our PCs it's easier to create things and the Internet gives us all access to global distribution. There is almost any market, for any product, somewhere. Let your customers find you on the net.

Big Ideas Six big ideas from The Long Tail: **1** Mass to Niche **2** Create Niches **3** Distribute Niches **4** Connect Customers **5** Help People Choose **6** The Long Tail Rules

My View This RAP shows you how to reinvent your business with the three forces Anderson identifies as driving The Long Tail: **1** The Democratization of Production meaning that everyone has access to the tools of production, **2** The Democratization of Distribution meaning that everyone has access to distribution via the Internet and, **3** Connecting Supply and Demand meaning creating ways for customers to find the products you have for sale.

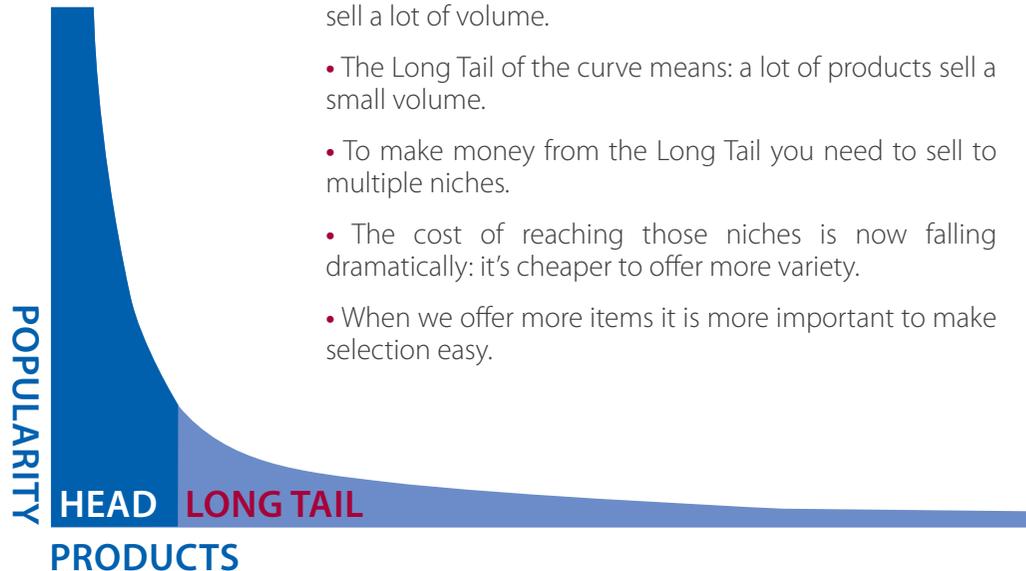
Your Challenge To make money from niches: Immerse yourself in this RAP (Review + Action Plans); Select one of the six Big Ideas and implement it; pick another idea to implement and you are on your way. Share your results with us for possible inclusion in a future edition.

Review: The Long Tail

CHRIS ANDERSON, THE LONG TAIL: HOW ENDLESS CHOICE IS CREATING UNLIMITED DEMAND

Key Elements

- The compact Head of the curve means: a few products sell a lot of volume.
- The Long Tail of the curve means: a lot of products sell a small volume.
- To make money from the Long Tail you need to sell to multiple niches.
- The cost of reaching those niches is now falling dramatically: it's cheaper to offer more variety.
- When we offer more items it is more important to make selection easy.



Three Profitable Effects

- ① **Production:** More niche stuff is created
- ② **Distribution:** Easier to sell your niche stuff
- ③ **Connect:** Make it easy for customers to find you

Examples

ADVERTISING → GOOGLE AD WORDS

Small advertisers can find their niche targets for a handful of dollars compared to the thousands it costs to advertise to the masses in newspapers, on radio or TV.

LABOUR → OFFSHORE, ELANCE

Find uniquely talented people from around the globe for a fraction of the cost.

SEXUAL PREFERENCES → FETISH

Every form of alternative lifestyle, porn, kinkiness and quirky alternative hedonism is available on the net.

PACKAGED BEER → MICROBREW

Boutique breweries are popping up and offering a creative selection of quality amber ales and lagers.

OFF THE RACK → CUSTOM CLOTHES

Why wear mass-produced off-the-shelf when you can wear sassy individual bits and bobs?

RAP1: Mass to Niche

The Niche Context

The mass of niches has always existed.

However, as the cost of consumers finding niche products, and niche products finding consumers falls, it has become a cultural and economic force to be reckoned with.

It's not a new market.

Rather, it's a change in distribution.

Anderson describes it as a receding tide that has exposed hidden niches.

They were always there, just hard to reach and previously unprofitable to satisfy.

Our former best-seller driven economy was shaped by TV screens, cinemas, publications and, by the scarcity of shelf space.

Now with the digitalisation of almost everything and Internet connected consumers, the economics of business have changed.

The balance is tilting from the mass to the niche.

Actions: Be More Niche

- 1 Industry Specific** : Turn your general product into a targeted one for a very specific audience. A general marketing book could be rewritten specifically for 24/7 child care centre operators or green plumbers.
- 2 Beginner, Intermediate, Advanced** : Break your offer down into several different service levels. Start with your current service and strip it back for an Entry level product. Then create a bells and whistles Premium product.
- 3 Add Options** : Cars are always sold with optional extras to enable customers to personalize their purchase. Create a base product and add a range of add-ons, then provide a simple way for your customers to choose between them.
- 4 Vary Quality** : Recording artists may offer a raw-uncut live version, a studio enhanced live version and, a studio production. Follow their lead and create products of various quality or methods. Check this is good for your brand!
- 5 Make It Just For Me** : Personalize your product or service by making one-off specials, letting customers choose their own configuration (eg Dell computers) or create their own message (eg caller's image on your mobile).

RAP2: Create Niches

Production Democracy

Your computer is at the heart of the democratization of production.

It is now easier than ever to create and produce your own music, your own movie, your own book, your own...

The passive consumer is morphing into an active producer.

Books: build your blog into an ebook, design layouts, desktop publish, photocopy, print on demand.

Music: compose on your computer, burn to CD, post to iTunes or your website.

Movies: video camera it, add desktop music, edit with software and post to YouTube.

Video Games: use software to make your own; even your children can do it using Machinima.

Mobile phones: bystanders are the new journalists; use your phone to photograph the news as it happens.

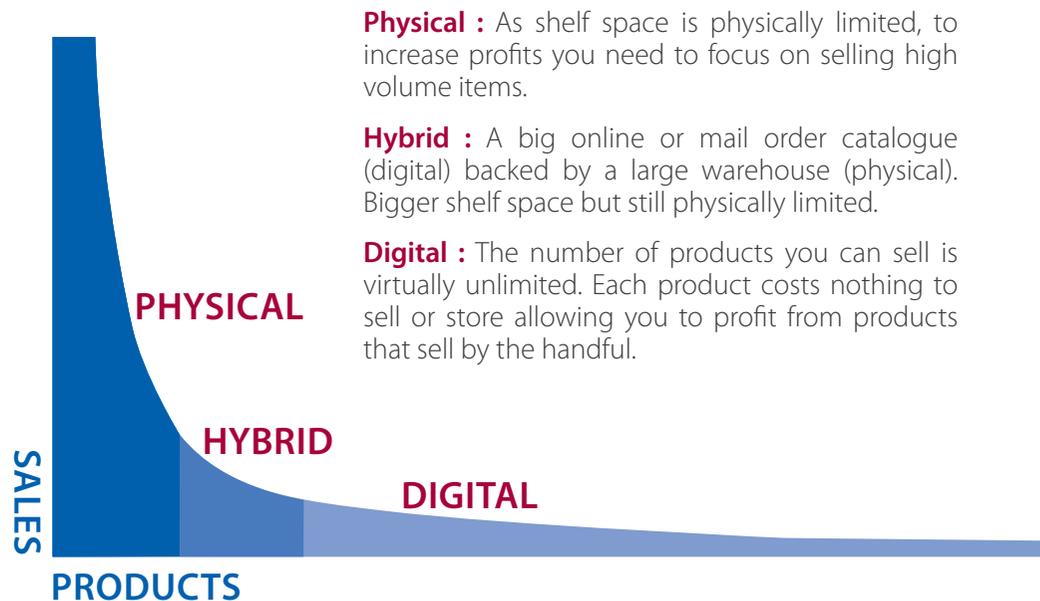
Who wants to watch when you can play?

Actions: Create New Niches

- 1 Words :** Start thinking and start writing. Find the best way for you to get your words out there. Speak to a tape recorder if tapping a keyboard is not your thing. Create a blog or podcast.
- 2 Record :** Don't start something new, simply record what you already know and do using a voice or video recorder. Forget perfection, make it real, edit it on your computer, post snippets to the YouTube and sell the full package as a DVD.
- 3 Pro-mo-duct :** Turn your free promotional activities into niche products. For instance, sell a demonstration video of your product in action, write a 'How To' book or create a mini or sample size version of your product.
- 4 Nano-Globe :** If you're already in a Niche, make it even smaller - go Nano. Then instead of selling locally, or even nationally, design your wares to sell them globally via the Internet. Smaller niche, bigger audience.
- 5 Peer Production :** Get other people to create with you. Make a specific request such as writing a chapter on topic X for your book. Alternatively, invite contributions for others to add to your blog or wiki.

RAP3: Distribute Niches

A SINGLE NICHE MAY NOT BE PROFITABLE YET MANY COMBINED MAY BE VERY PROFITABLE. ENTER THE NICHE AGGREGATOR THAT LINKS, COMBINES AND GROUPS INDIVIDUAL NICHEs.



Physical : As shelf space is physically limited, to increase profits you need to focus on selling high volume items.

Hybrid : A big online or mail order catalogue (digital) backed by a large warehouse (physical). Bigger shelf space but still physically limited.

Digital : The number of products you can sell is virtually unlimited. Each product costs nothing to sell or store allowing you to profit from products that sell by the handful.

Actions: Make it Available

- 1 Go Digital** : Having a digital product makes it easier to create niche variations. Then distribute in digital ways through affiliates or other aggregators.
- 2 Use Existing Aggregators** : be found on Google search results, sell via Ebay and Amazon, put your podcasts on iTunes and promote through MySpace.
- 3 Source Similar Products** : Find similar and complementary products to bundle a number of niches together. Make yourself the expert in this area.
- 4 Licensing** : This is a form of combining separate products into one consistent brand name. Find other products to license or license your goods for others to use.
- 5 Sell It For Me** : Let other people sell your products in a variety of ways: retaining your branding, co-branding or re-badging as someone else's brand.

RAP4: Connect Customers

The third force of the Long Tail is connecting supply and demand. First we create our product and then we create ways for customers to find it.

To appeal to the Long Tail requires a deep connection to a narrower audience.

First you create your products and services, then you create ways for customers to find them. Next you want to encourage your customers to share your product with other like-minded colleagues.

In the Long Tail there is less need to predict demand, and a greater need to amplify awareness once the product has been created; this makes Word of Mouth, Recommendations and Customer Reviews vitally important.

	Head	Tail
Audience	Lots of people	Narrow audience
Connection	Superficial	Deep connection
Customer	Mass Market	Mini-connoisseurs
Approach	Top Down	Bottom Up
Scale	Big	Small
Cost	Expensive	Inexpensive
Product Creation	General formulas	As you want it.
Filter - When	Before going to market	In the marketplace
Filter - Who	Professionals	Customers
Demand	Created	Existing
Research	Predict demand	Just do it!
Promotion	Mass Advertising	Word of mouth

In contrast, selling to the Head requires a product with mass market appeal.

First you need to establish a demand through market research and then create your products or services to supply that demand.

Mass media advertising and promotion complete this top-down approach by stimulating additional sales.

Actions: Be Found

- 1 Be Open** : The market will always give you feedback and tell you what is working and what is not. You simply need to listen to what is being said. And ask.
- 2 Be Seen** : Position and promote your website on search engines. Relevant keywords enable you to achieve high visibility and improve the sites rankings.
- 3 Be Generous** : Let more people experience your product first-hand through a sample. Create a mini-product to sell or give away.
- 4 Be-Cause** : Align with a cause, or create your own, to celebrate the true purpose behind your product. What business are you really in?
- 5 Be Remarkable** : The best way to get people talking is to have a product worth talking about. Make it truly memorable and remarkable.

RAP5: Help People Choose

Make It Easy For Me!

We are experiencing the biggest explosion of variety in history.

Physical Starbucks has 19000 variations of coffee.

Hybrid Amazon has 800,000 books.

Digital Google has 480 million search results for 'sex'.

Too much choice is overwhelming and problematic.

We need to design ways to help people choose easily and wisely.

The need for filtering systems is a big opportunity in the age of infinite variety.

It could even be a new business opportunity following hot on the heels of specialist brokers, the Yellow Pages Directory, the Sabre Airline reservation system or Google.

How will you make it easier for your customers to choose?

Actions: Clarify Choices

- 1 Let Your Customers Help** : Instead of you doing all the work, let your customers advise other customers the best options. Use reviews and recommendations, create a best-sellers list and regularly ask for feedback.
- 2 Work It Out For Yourself** : Don't just tell people, let them work it out for themselves through a questionnaire or interactive quiz. By typing in their requirements they can define which product or option is best for them.
- 3 Provide Advisors** : Encourage people to call or email to discuss their product options. We all need someone to talk to! Listen to them, ask questions, advise them, suggest alternatives. However, avoid selling them!
- 4 Create a Community** : Create membership around your product so your customers can learn from each other. Consider regular events, online forums, chatrooms and include celebrity users of your product.
- 5 Build Word of Mouth** : Your best customers are the ones that happily and voluntarily share your products with others. Help these people refer you to others. They will help new customers choose better than you can!

RAP 6: The Long Tail Rules

- ➊ **Shift Inventory** : Shift your inventory to virtual or digital. It's time to bit-shift!
- ➋ **Use Customers** : Let your customers do it for themselves and, in their own time. Consider self-service, automation or give them the tools to create their own.
- ➌ **Multi-channel** : Deliver your product in multiple ways. Consider retail, web downloads or by mobile phone.
- ➍ **Recombine Products** : Recombine your products to address different markets. Think of the many ways you can buy a song.
- ➎ **Elastic Pricing** : Different people will pay different prices, for various reasons, for the same product. For instance, limited editions, auctions or DIY service.
- ➏ **Share Info** : Help your customers make decisions by sharing with, and informing, them. Help your customer choose in an open and transparent way.
- ➐ **Think 'AND'** : In the digital world you can sell everything and anything because there is no added cost or loss of variety. Find ways to offer this AND that.
- ➑ **Trust the Market** : Create your product and let the crowd sort things out for you. Listen to their feedback and respond accordingly.
- ➒ **Sell it Free** : Attract lots of users with low-cost or free offerings. Make it desirable for users to upgrade to the subscriptions based 'premium' offering.



THE GOLDEN RULE :
Make It
ALL Available
AND Help People Find It

More info...



The Book Rapper

Geoff McDonald is a former architect who no longer designs buildings. Instead, as the *Ideas Architect*, he helps individuals and organisations to design, build and sell their ideas to develop a powerful brand presence and attract your ideal clients.

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