Starting a New Business?….Find Your Niche!

It is common for an enthusiastic entrepreneur, who wants to start a new business, to “do it all”. Many times a SCORE Counselor will need to advise a new business owner to focus their efforts and really find their “niche”. Most often, a market in its entirety is too broad in scope for any but the largest companies to tackle successfully. The best strategy for a smaller business is to divide demand into manageable market niches. Small operations can then offer specialized goods and services attractive to a specific group of prospective buyers.

This task is a vital part of the business planning process. There are undoubtedly some particular products or services you are especially suited to provide. Study the market carefully and you will find opportunities. As an example, surgical instruments used to be sold in bulk to both small medical practices and large hospitals. One firm realized that the smaller practices could not afford to sterilize instruments after each use like hospitals did, but instead simply disposed of them. The firm's sales representatives talked to surgeons and hospital workers to learn what would be more suitable for them. Based on this information, the company developed disposable instruments which could be sold in larger quantities at a lower cost. Another firm capitalized on the fact that hospital operating rooms must carefully count the instruments used before and after surgery. This firm met that particular need by packaging their instruments in pre-counted, customized sets for different forms of surgery.

While researching your own company's niche, consider the results of your market survey and the areas in which your competitors are already firmly situated. Put this information into a table or a graph to illustrate where an opening might exist for your product or service. Try to find the right configuration of products, services, quality, and price that will ensure the least direct competition. Unfortunately, there is no universally effective way to make these comparisons. Not only will the desired attributes vary from industry to industry, but there is also an imaginative element that cannot be formalized. For example, only someone who had already thought of developing pre-packaged surgical instruments could use a survey to determine whether or not a market actually existed for them.

A well-designed database can help you sort through your market information and reveal particular segments you might not see otherwise. For example, do customers in a certain geographic area tend to purchase products that combine high quality and high price more frequently? Do your small business clients take advantage of your customer service more often than larger ones? If so, consider focusing on being a local provider of high quality goods and services or a service-oriented company that pays extra attention to small businesses.
If you do target a new niche market, make sure that this niche does not conflict with your overall business plan. For example, a small bakery that makes cookies by hand cannot go after a market for inexpensive, mass-produced cookies, regardless of the demand.

Next Tuesday evening’s SCORE workshop will be taught by Ben Cheney and I on the topic of How to Develop a Business Plan and is offered through Rochester Community Education. Contact SCORE, America’s free and confidential source of small business mentoring and coaching.

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