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# Niche Marketing: How to Define a Unique E-Business Niche

The key to your online marketing strategy will be recognizing and defining an unfilled or partially filled niche. Here's how to train your eyes.

by Dr. Ralph F. Wilson

Standing at the base of the Wailing Wall in Jerusalem and looking up, the immense stone blocks laid one upon another seem to reach to sky. This most holy site to Jews is all that is left of Herod's Second Temple. It is a place of prayer for the nation. Herod built the Western Wall as part of a retaining wall around the temple mount formed of massive limestone blocks, some weighing over 100 tons each.

But when you look more closely at the Wall, you see the crevices between the massive blocks. In the first two tiers of stone these crevices are filled with papers inscribed with the prayers of the faithful. Above them the crevices are alive: Plants, rooted deeply in the cracks between the stones, abound far above the heads of the worshippers and add character and life to the Wall.

The Wall has a lesson for us. If your company doesn't have the mammoth clout of a Fortune 500 corporation, then you must find a niche between the immense players and adapt yourself to thrive there. The English word "niche" comes from a French word that means "to nest." And that's what small companies can learn to do very successfully, filling small voids left by the big players.



Dr. Wilson is an international authority on [Internet marketing](#) with a special focus on [niche marketing](#).

## Thriving in a Tiny Niche

How can small businesses thrive if the niches seem pretty narrow indeed? You can purchase kitchen knives at Safeway and Kmart, at Macy's and a restaurant supply outlet, as well as in a gourmet cooking store. But a shop that specializes in kitchen cutlery? It would take a major metropolitan area of one or two million people to support such a store, and still it might struggle. But so long as you can deliver your goods or services across distances, on the Internet your marketplace is the nation -- and, if you have the vision for it, the world.

A kitchen cutlery shop might die in a town of 10,000 or city of 100,000. But on the Internet, the market is so huge that even a small slice of the market provides a large number of shoppers. According to the Computer Industry Almanac for 2004, Internet users in Ireland number 2 million (53% of the population), in the United States number 186 million (64% of the population), in South Korea 30 million (71%).

Where travel time once prevented shoppers from getting to downtown Seoul's specialty shops, on the Internet the nation is like one very accessible city. With South Korea's 30 million Internet users, even a very narrowly defined specialty business can thrive because of the huge number of potential shoppers. Think of the market there as 30 cities of a million people each. That many potential shoppers can support nearly any specialty business.

After nearly 10 years of intimate involvement with the Internet, I am still awed by its vast potential. To succeed you must be able to see the Internet's hugeness as a market, and at the same time comprehend that even the narrowest kind of business can find enough customers to thrive. The wall is so big that the niches between the huge corporate blocks are quite adequate to support a lively small business marketplace.

## Differentiating Niches from Blocks

The phone rang and the caller wanted to set up an online store. "I want to sell something on the Internet," he told me.

"What do you plan to sell?" I asked.

"Books," he said, "and consumer electronics."

I can see him competing head-to-head with Amazon, Barnes & Noble, Good Guys, and Best Buy. With his puny resources, he doesn't stand a chance against the big players. None. Nada. Zip.

I've been asked dozens of times, "What would it cost to build a book store just like Amazon.com?" I grind my teeth. With all the opportunities begging to be explored, why would you want to challenge the top dog? I answer that question by saying, "It would cost you the millions and millions of dollars Amazon spent to build its store." Look instead to the niches.

## The Elusive Holy Grail of the "Ideal" Product

I'm sometimes asked, "What is the best product to sell on the Web?" The answer is pretty straightforward; here are the characteristics:

- Enables a high profit margin
- Offers exclusive sales rights
- Delivers by digital download
- Offers customers more value via Internet sale than through traditional channels
- Fills a universal need
- Must be purchased regularly

If you can score with a majority of those parameters, you probably have a winning product or service. But, frankly, few fit. I strongly recommend that you don't let your mind wander aimlessly looking for the perfect product.

A better way is to look to yourself or to your company. What are you good at? What do you enjoy? On what subject are you considered the "local world's authority"? What are you strong in? What do you have to offer that is fairly unique? How can you leverage your present strengths? Instead of fantasizing about the "perfect," take what

you know and let it empower your vision to see clearly the niches out there.

## Unfilled Niches

These days it's hard to find a niche that nobody is filling, but occasionally I run across one. The classic path to success is "Find a need and fill it." So look to the customers you know best. What are they asking for? What would they like? What keeps them from fully realizing their own success? Since you're probably an "expert" in some field, you may have some key insights. You may be able to develop a new or improved product, service, or business process that, coupled with the Internet, can make a big difference. It's your interest and training that give you the vision to see these opportunities. Look closely at the niches.

## Poorly Filled Niches

While unfilled niches are rare, poorly filled niches are exceedingly common. I've come to expect so much from the Internet, that I'm often frustrated by what is not available online.

Recently I was in the market for a camcorder. I knew practically nothing about them, and I found that the average salesperson at my local stores didn't know much either. I had lots of unanswered questions. I needed information and opinions from people who really knew something about the trade-offs between one recording format and another, but I couldn't find what I was looking for.

There have to be other people like me. What kind of site would make this selection an easier task? One site was very good, but called on me to make decisions about which I didn't have enough knowledge. Nor did it provide expert opinion or consumer feedback on questions of format, pros and cons, answers to my stupid questions, and so on. Another had a camcorder buying guide, but no individual comments except at the product level. And nothing offered a chart that showed the differences between the models available from a single manufacturer. I was also ready to buy an extra battery pack and a carrying bag, as well as a supply of recording tape, but none of these sites made it easy. Other camcorder sites turned out to be only a department in a larger consumer electronics enterprise.

## Camcordia.com

I concluded there is no single "greatest place" online to buy camcorders. Maybe I ought to build it myself, I thought. In addition to an excellent shopping cart system and checkout procedure, these are the elements I would include:

- Buying guides
- FAQs (frequently asked questions)
- Honest reviews of each manufacturer's product line contrasted with other manufacturers' offerings
- Easy comparisons within a manufacturer's product line
- Live chat that allows shoppers to ask questions from a knowledgeable person 8 to 10 hours per day
- Competitive prices, if not the very lowest
- Carrying all major manufacturers' products
- Inventory of best sellers, drop-ship arrangements for less common requests
- Shipping at a variety of speeds and costs
- A no-quibble guarantee
- Links to product support sections of manufacturers' web sites
- Addresses, phone numbers, and URLs of repair stations
- A full line of accessories
- A full line of recording media
- Information and cables to connect camcorders to TVs, VCRs, and computers
- Online forums where camcorder aficionados discuss detailed questions
- An affiliate relationship with camcorder dealers in regions of the world where I don't want to risk shipping a \$250 to \$1,500 item.
- A monthly newsletter, The Camcorder Comrade.

And I'm sure once I got immersed in the process of building, I'd find more to do. We could call it camcordia.com or camcording.net or cambug.com. Isn't this a lot of work? You bet. (Note: When I first wrote about niches, all my proposed domain names were available. Since then two of the three have been purchased, and one has developed a tiny camcorder store, but nothing like the broad vision outlined above.)

Of course, you could build a "good" camcorder store fairly easily, but not an excellent one. Excellence takes high standards, sacrifice, passion, great effort, and a drive to achieve the best you can possibly do. If the project isn't worth doing with excellence, my friends, it probably isn't worth even beginning. Life is too short.

It would probably take six months of work and several thousand dollars to get it fully ready, and a year or two to get it functioning at full potential. Is it possible? Of course! Would it succeed? I have no doubt! Am I going to build it? No. This one needs someone who lives and breathes camcorders. But when I looked last, camcorders were a poorly filled niche just begging to be filled with excellence.

## Partly Filled Niches

I've often toyed with the idea of setting up a firm that helps small businesses market their web sites. One that considers each company's needs carefully and recommends a marketing plan tailored to each company's needs and budget. One that offers exceptional value and a personal touch. One that doesn't rest until the customer's need has been fully addressed. Aren't there plenty of firms that specialize in online marketing already? Yes, indeed. But I believe I could make one succeed, since there are hundreds of thousands of small business web site entrepreneurs out there, and only ten or twenty thousand true marketing companies, many of which aren't very effective at all with small businesses. Many excellent businesses exist, but there is a tremendous need still. Do I plan to do this? No, but it could be done quite profitably. This is a partly filled niche longing to be filled more completely.

## Creating New Niches

We haven't nearly exhausted the subject of niches yet. How about creating a new niche where one didn't exist before? I love what JustBalls.com (www.justballs.com) did when they began in 1998. They didn't pump themselves up to think they could tackle the whole sporting goods sector. They weren't a Big 5 or a FogDog. So they sliced sporting goods in a way that it had never been sliced before -- balls only. They didn't sell bats and first-baseman's mitts. They sold balls. Baseballs, basketballs, footballs.

golf balls. If it's a sports ball of any kind, they would have it. Now they offer laser-engraved sports balls for gifts and presentations. Several years later they are still in business because they created a brand-new niche, found a catchy, memorable name, developed a customer-centered approach, and opened their doors.

### **Brick-and-Mortar versus Internet Niches**

I need to say a word to you who already have an existing brick-and-mortar business. Should you put your business on the Web? By all means, do so! (These days people even search for local businesses on the Web.) The stability of your traditional business will give you the time to find your way online. But don't put your entire business offerings online, only those that are unique and especially adaptable to the Internet.

Several years ago, Jeff Greene called me for help setting up an online store. Jeff is the longtime owner of The Office Market, a traditional office and art supplies store in Conway, New Hampshire, an area of about 20,000 people in the White Mountains. This was before OfficeDepot.com, OfficeMax.com, and Staples.com had developed a strong presence online. He asked me if he should sell both office supplies and art supplies. I pointed him toward the niche market and away from the mass market, and he has since done well with Discount Art Supplies ([www.discountart.com](http://www.discountart.com)) offering a full line of top brand, high-quality brushes, paints, and other supplies. If Jeff had tried to put his whole office supply inventory online, the e-business would have lost focus and he wouldn't have been able to carry a full enough line to compete with the big companies (though in his local region, The Office Market is the leader). By putting all his energy into the art supplies part of his business, he has succeeded admirably on the Web and he can compete nationally with others in this field.

Determine what aspect of your current business is best for the Internet and put that online; don't load your web site with generic products and services that diffuse your focus.

### **Finding and Filling Your Niche**

The promise of the huge Internet market is there for you, too. While it is intensely competitive, the size and lack of geographical barriers are especially suited to small businesspeople who are blessed with niche vision and a dose of creativity and determination. Look closely, now -- not at the massive blocks but at the niches between them -- and find a niche with your name on it.

Exercise: List the niches you might be interested in filling. Next, assess the quality of the existing sites in those niches. Now list the unfilled, underfilled, and partially filled niches you can identify.