

Op-Ed: Why small businesses should stick to niche markets

By [Leigh Goessl](#) Dec 30, 2014 in [Small Business](#)

Many decisions need to be made when opening a small business. One of the primary considerations will be the type of inventory to carry. Product choices have a direct effect on the success or failure of the business; it is important to choose wisely.

Initially, the idea of carrying a broad range of different products may seem like a great idea, as the logic behind this strategy is to offer customers more choices. However, for most small business models, this is likely a poor strategy. For the average small business owner, the formula for success is to focus on specific niche-oriented products and build the business from this starting point.

Establish expertise

The idea of carrying a small range of products is twofold. First, it is easier to manage and, from an operational point of view, it makes life simpler. The second reason is more strategic in nature. The fewer products (or services) a small business offers, the more of an expert the owner will become in his or her chosen niche. Providing expertise in a specific area is a key strategy to establishing a competitive advantage.

"Michael Vivio, president of coupon distributor Valpak, says, "Small business owners are passionately linked to the success of their businesses, which means they are experts on the products they create and sell," according to a recent article in [Business News Daily](#). "

Most companies have specific business models when they launch. If a new up-start isn't designed to be a variety store, chances are offering a varied inventory could backfire and put the new business at a disadvantage. A small business attempting to sell an assortment of different items is going to need a strategic plan to support the rationale for maintaining a large inventory. Most of the time, there isn't any good reason—especially when there are large "big box" competitors; ones that can offer the same products at cheaper prices.

Focus on specialization

A smarter approach is usually to focus on the [specialization](#) factor to entice new customers to want to come to an expert first to meet their needs. Consequently, a jack of all trades (products) type of store is likely going to send consumers to their familiar stores. However, those who offer a specialty are more likely to catch the eyes of interested consumers.

Diversification is not always bad, however, for a new small business, this can put the company at an immediate competitive disadvantage. Businesses that try to over diversify in different market areas could wind up stagnating because a small company cannot keep up with too many directions. Instead of trying to appeal to everyone, small business owners are best-served by becoming an authority in a specific niche and focusing on a higher level of customer service in their area. Even if the products sold can be found through a "big box" competitor, a small business owner can more than make up the difference through providing a higher quality of excellence.

Mark Mikelat, founder of Building Aspirations, in a YouTube video uploaded in Dec. 2014 emphasizes business owners need to go "deep, not wide."

Differentiation and eliminating competition

There are many benefits to selling niche-oriented products (or services) and maintaining the inventory to support that specialty. A small business that can effectively market itself to be an expert in a given area is also more likely to build a strong and loyal following. Another advantage to this kind of small business strategy is it can eliminate a lot of competition since it allows for better [differentiation](#) and brand building.

Denise Lee Yohn, branding expert, [highlights](#) the "power of differentiation through specialization" citing an example of a business that builds websites vs. one that has expertise in building church websites. Which business is more likely to attract a specific clientele?

When you can market the uniqueness of your product or service line, you will have a far more effective marketing strategy. What products or services you, as a small business owner, sell can make or break the business. By cultivating an environment that shows you know the ins and outs of specific products or services is far more likely to steadily attract customers. Over-diversification eliminates the potential to stand out from the pack. Instead, you will find yourself unable to get to know your products and services well enough to sell and market them effectively.

Over the course of time a level of diversification can probably take place. However, it is seldom wise to do this until you have established a loyal and steady customer base. Diversification of products or services should only be an extension of the business that has proven it is able to fill a specific consumer demand.

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