The Challenge of Niche Markets

Niche markets are both attractive and challenging. Even though you may not have many competitors, it's hard to find good information about these markets. Getting good clues about a niche market is the first task. Since niche markets are often new & innovative, your next move will be to understand the status quo and how the novelty of your new product or service will impact it. How will you lure customers away from more traditional markets?

Find Competitors & Customers
Niche markets contain mostly small, private companies. Sales and other indicators of business health are often unavailable. You'll find good detail on private companies from the following online directories of companies. Use these sources in creative ways for company counts and measures of industry size for niche markets through the employee and sales range data they provide on private companies.

- ReferenceUSA U.S. Businesses – Create a tailored list of companies to fit your niche market from this directory of all U.S. companies. At all TCCL Libraries.
- MDDI Global Reach (D&B) – Get exclusive details on every company in the U.S. Build your own database of competitors and customers to match your market. At all TCCL Libraries.
- ReferenceUSA U.S. LifeStyles – Create a mailing list of consumers by lifestyle, hobbies or interests. At all TCCL Libraries.
- ReferenceUSA U.S. New Business - Find new companies formed during the past two years. Limit your search to companies added to the system in the last month, the past six or nine months, or by date range. At all TCCL Libraries.

Locate Market Data & Trends
Data on niche markets can be a real challenge. You may need to look at the larger market and create your own niche market data from a combination of several different resources. The following will get you started with good detail on industries at the 4-digit SIC and 6-digit NAICS level.

- County Business Patterns – Compile number of firms, number of employees and payroll by NAICS at state and county levels for all industries. U. S. Census Bureau. www.census.gov/econ/cbp/
- Demographics Now – Pinpoint your market by lifestyle. Contains most of the basic market data you will need for end user customers. At Central Library.
- First Research – Full text individual market studies for over 700 different kinds of businesses. At Central Library.
- OneSource (ReferenceUSA) - Premium market research reports with industry trends, forecasts and market size. Includes SWOT analysis of leading companies in the industry. At all TCCL Libraries.
- Plunkett’s Research Online - Full text in-depth market studies. Tailor your own report targeted specifically to your industry. At Central Library.

Niche Markets in the News
Newspapers and trade journals may be the only place where you will find information on your market. Look for articles about small companies in local papers and search trade magazines for coverage of niche markets in their industries.

- PR Newswire – Find news releases just as they are issued by companies, some of which never get into a newspaper. www.prnewswire.com.

Other Niche Sources
Your best information source may be a trade association, a university study, or a government document. Look for nuggets of information in “white papers” published by industry experts on the Internet. In your favorite search engine, enter descriptive terms for the niche and “white paper.”

Do companies in your niche contract with the federal government? Is there a trade association for either your niche or the larger industry of which it is part? These resources can help.

- Encyclopedia of Associations – Locate trade associations that may publish data for their industries. Look for key words on their websites such as: DATA, FACTS, STATISTICS, PUBLICATIONS or INDUSTRY OUTLOOK. At all TCCL libraries.
- Gateway to Associations Online. http://www.asaecenter.org/Community/ Directories/AssociationSearch.cfm
- Ulrich’s Periodical Directory - Identify trade journals. At Central Library
- Central Contractor Registration & SBA Dynamic Small Business Search – Find registered government contractors and registered small businesses in these two databases. www.ccr.gov and http://web.sba.gov/pro-net/search/dsp_dbs.cfm

Research Wizard will select the best resource and complete your research project for you.
Who are your best prospects?

Your company must grow sales with existing customers and constantly target new customers in order to survive. To find your best prospects you will need to get good answers to questions about the industry, size, location, years in business, and corporate structure of potential customers.

Prospect List Opportunities & Possibilities

Profiles of Existing Customers
Does the 80/20 rule apply to your business, which says that 20 percent or your customers account for 80 percent of your profits? Research Wizard will profile your top customers and their industries to find businesses with similar demographics.

Tailored Prospect Lists
Research Wizard will create an electronic customer database, based on your parameters and deliver the list in electronic format ready for mailing labels or for input into your customer database.

Company Rankings
Research Wizard will rank companies within their industries so that you can identify the best prospects for your product or service.

Niche Markets
Research Wizard will identify smaller segments of your target industry. We will look for innovative targets that your competitors have found for their products and services.

Industry Profiles & Clusters By Geographic area
Research Wizard will identify areas with high concentrations of a certain industry, and discover which companies are located in the same industries as your current customers.

Prospecting List Checklist

- Identify the industries and sectors within them, using the North American Industry Classification System (NAICS) or enhanced Standard Industrial Classification Codes (SIC).
- Determine the size of companies. Do your best prospects have a certain sales range or employee size? Are they large, mid, small companies or sole proprietorships?
- Consider years in operation. Do you need to target new or established companies?
- Look at corporate structure. Do you need to target headquarters locations, branches or subsidiaries? Do your current customers have branches in the same state or other states?

What can we do for you?

- Target prospects and create direct mail and contact lists based on multiple parameters, such as size, geography and industry.
- Email your new prospects to you in Excel format, ready for mailing labels and for importing into your customer database.
- Help you build your company's own prospecting database containing fields for industry groups, company size, decision makers, job titles, company structure and location types.
- Build background profiles to better qualify prospects and assist with marketing campaigns. Profiles include key company developments and industry trends that might influence buying decisions.
- Rank your prospects by sales or employees, by geographic area and industry.
- Research markets to identify niches, growth segments and innovative markets that your competitors have found for their products and services.

Where do we get our information?

Our sources include reliable authorities such as

- MDDI (D&B) (profiles of most US companies)
- ReferenceUSA (profiles of most US companies)
- CorpTech (emphasis on high tech companies)
- Mergent (company financial reports)
- First Research (industry studies)
- Lexis/Nexis (company affiliations & structure)
- Plunkett Research (industry markets & trends)
- Kompass (international companies)
- Standard & Poors (company & industry profiles)
- Thomson Gale (industry reports & analysis)
Decoding NAICS and SIC

Major industry classification systems are the North American Industry Classification System (NAICS) and the Standard Industrial Classification (SIC). Both systems use hierarchies of numbers to define and group industries by similar activities and products. The first two digits describe industries broadly and subsequent digits add more detail. The codes uniformly define business lines of companies. Economists and industry analysts rely upon them for gathering and reporting production data, industry concentrations, financial ratios and other indicators. Business strategists use them to identify peers, competitors and customers.

The SIC system dates from the 1930's. It was replaced in 1997 by NAICS, which was created by Canada, Mexico and the U.S. to compare industries across countries. NAICS groups companies by similar production processes or technology. NAICS accommodates new technologies and services industries while the SIC system emphasized manufacturing.

NAICS has 20 broad industry sectors, a 6-digit number system, versus 10 SIC industry divisions, with a 4-digit industry code. NAICS assigns numbers to individual locations of companies according to their particular lines of business, so that each of the separate locations of a large company will have its own code. The first four digits of the NAICS code define the industry, and the fifth and sixth digits define the industry more narrowly. Refer to the example of Krispy Kreme. The current NAICS codes became available in 2002, and updates are scheduled every five years.

Major changes in NAICS are the service sector expansions. New sectors include Education, Health and Social Assistance, and Professional, Scientific and Technical Services. A new Information sector includes components from the SIC Transportation, Communications, and Utilities, Manufacturing (publishing) and Services divisions (software, data processing, information services, motion picture and sound recording).

Commercial company database vendors including Dun & Bradstreet and InfoUSA use codes to classify business establishments by their activities. Since a company may produce several products and services, the databases give primary and secondary codes for each location. Codes selected for any particular company may vary among databases, and it is important to check more than one source when searching by codes. Dun & Bradstreet and InfoUSA have enhanced SIC codes at six or eight digit levels for more precise analysis. Most major company directories organize industries using SIC and NAICS codes.

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>NAICS Sectors</th>
<th>SIC Division Letters &amp; Codes</th>
<th>NAICS Code</th>
<th>NAICS Sectors</th>
<th>SIC Division Letters &amp; Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Agriculture, Forestry, Fishing, Hunting</td>
<td>A Agriculture, Forestry, and Fishing (01-09)</td>
<td>51</td>
<td>Information</td>
<td>I Services (70-89)</td>
</tr>
<tr>
<td>21</td>
<td>Mining</td>
<td>B Mining (10-14)</td>
<td>54</td>
<td>Professional, Scientific, and Technological Services</td>
<td></td>
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<tr>
<td>23</td>
<td>Construction</td>
<td>C Construction (25-17)</td>
<td>56</td>
<td>Administrative Support; Waste Management and Remediation Services</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Manufacturing</td>
<td>D Manufacturing (20-39)</td>
<td>61</td>
<td>Educational Services</td>
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<tr>
<td></td>
<td>Utilities</td>
<td>E Transportation, Communications &amp; Public Utilities (40-49)</td>
<td>62</td>
<td>Health Care and Social Assistance</td>
<td></td>
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<tr>
<td>42</td>
<td>Transportation and Warehousing</td>
<td>F Wholesale Trade (45-51)</td>
<td>71</td>
<td>Arts, Entertainment, and Recreation</td>
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<tr>
<td>44-45</td>
<td>Wholesale Trade</td>
<td>G Retail Trade (52-59)</td>
<td>81</td>
<td>Other Services (except Public Administration)</td>
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<tr>
<td>72</td>
<td>Accommodation and Food Services</td>
<td>H Finance, Insurance, &amp; Real Estate (50-67)</td>
<td>92</td>
<td>Public Administration</td>
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<tr>
<td>52</td>
<td>Finance and Insurance</td>
<td></td>
<td>55</td>
<td>Management of Companies and Enterprises</td>
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</tr>
<tr>
<td>53</td>
<td>Real Estate and Rental and Leasing</td>
<td></td>
<td></td>
<td>(Parts of all divisions)</td>
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</table>

Sample NAICS Structure
Krispy Kreme retail bakery

<table>
<thead>
<tr>
<th>Code Level</th>
<th>Hierarchy</th>
<th>Code</th>
<th>Title</th>
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<tbody>
<tr>
<td>2-digit</td>
<td>Industry Sector</td>
<td>31</td>
<td>Manufacturing</td>
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<tr>
<td>3-digit</td>
<td>Industry Subsector</td>
<td>311</td>
<td>Food Manufacturing</td>
</tr>
<tr>
<td>4-digit</td>
<td>Industry Group</td>
<td>3118</td>
<td>Bakeries &amp; Tortilla Manufacturing</td>
</tr>
<tr>
<td>5-digit</td>
<td>NAICS International Industry</td>
<td>3181</td>
<td>Bread &amp; Bakery product Manufacturing</td>
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<tr>
<td>6-digit</td>
<td>U.S. detailed Industry</td>
<td>31811</td>
<td>Retail Bakeries</td>
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</table>

Sample SIC Structure
Krispy Kreme retail bakery

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<th>Title</th>
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</thead>
<tbody>
<tr>
<td>A-J</td>
<td>Division Letter</td>
<td>G</td>
<td>Retail Trade</td>
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<tr>
<td>2-digit</td>
<td>Major Group</td>
<td>54</td>
<td>Food Stores</td>
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<tr>
<td>3-digit</td>
<td>Industry Group</td>
<td>546</td>
<td>Retail Bakeries</td>
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<tr>
<td>4-digit</td>
<td>Industry</td>
<td>5461</td>
<td>Retail Bakeries</td>
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</table>

Online Code References

<table>
<thead>
<tr>
<th>Source</th>
<th>Feature</th>
<th>Location</th>
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<tbody>
<tr>
<td>OSHA</td>
<td>Keyword SIC search or view SIC Division structure</td>
<td><a href="http://www.osha.gov/oshsstats/sicser.html">http://www.osha.gov/oshsstats/sicser.html</a></td>
</tr>
<tr>
<td>NAICS Association</td>
<td>Search keywords anywhere in the industry description</td>
<td><a href="http://www.naics.com/search.htm">http://www.naics.com/search.htm</a></td>
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<tr>
<td>U.S. Census Bureau</td>
<td>NAICS Code structure &amp; conversion tables</td>
<td><a href="http://www.census.gov/eos/www/naics">http://www.census.gov/eos/www/naics</a></td>
</tr>
<tr>
<td>Dun &amp; Bradstreet</td>
<td>Enhanced SIC 8-digit locator</td>
<td><a href="http://www.zipdata.com/8/">http://www.zipdata.com/8/</a></td>
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<td>SBA</td>
<td>Keyword searching and conversion</td>
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NAICS Relationship to SIC

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