



CENTER FOR COMMUNITY ECONOMIC DEVELOPMENT



# LET'S TALK BUSINESS

IDEAS FOR COMMUNITY DEVELOPMENT PROFESSIONALS WORKING TO EXPAND LOCAL BUSINESS ACTIVITY

MARCH 1998

No. 19

## Niche Strategies for Downtowns *Part III. Identifying Appropriate Niches*

by Bill Ryan \*

Previous issues of Let's Talk Business discussed two types of niches found in business districts: *consumer groups* and *goods/services* specialization. This issue discusses how to find specific niches appropriate for your community and how to assess their viability. The ideas were drawn from Niche Strategies for Downtown Revitalization by N. David Milder.<sup>1</sup>

### Identifying Existing Niches

In many communities, niches already exist, but simply need to be organized. These niches can grow and become more visible through store expansion, recruitment of new businesses and cooperative advertising and promotion. Milder suggests the following:

- Analyze successful niches in comparable communities to identify possible opportunities.
- Study the types of businesses that are currently located in your downtown to see how they fit together. Walking and photographing the area is often helpful.

- Create a database of commercial space to include data on ownership, square footage, tenancy, and business category.
- Review previous market studies.
- Conduct additional survey research as needed. A shoppers intercept survey can tell you which people are shopping downtown and why. A trade area resident survey can look more broadly at the attitudes and preferences of the general population as they relate to downtown.

Using the data collected, the objective is to identify significant economic strengths in the business district as evidenced by the number and square foot of complementary businesses, and the economic activity that draws people to these businesses. Once identified, the challenge then becomes organizing the businesses under a niche banner so that they can benefit from joint promotional and marketing efforts.

\* Ryan is a business development specialist with the University of Wisconsin-Extension Center for Community Economic Development.

<sup>1</sup> Drawn from: N. David Milder's Niche Strategies for Downtown Revitalization, published in 1997 by the Downtown Research & Development Center.

## Identifying Potential Niches

Trying to create a new niche can be more challenging than trying to capture an existing niche. While new niches can be very successful, their development often involves risk and large investments from both the public and private sectors.

Sometimes, having one niche can be a base for developing another one, since the first already draws a certain type of customer. For example, a downtown with a restaurant niche may draw customers that might utilize entertainment or performing arts facilities. Milder suggests the following:

- Analyze downtown and community characteristics. What types of offices, businesses or institutions are located nearby?
- Look at niches in comparable communities.
- Carefully define the trade area from the start, but recognize that a very different and expanded trade area could arise depending on the niche developed.
- Conduct market research that includes a supply and demand analysis to identify retail gaps and focus-groups to obtain ideas about possible niches.

## Assessing Niche Viability

Whether you have identified an existing or potential niche, the next step is to determine the feasibility of your idea. Milder recommends the following:

1. Compare consumer expenditure data within a niche with estimated sales captured by existing businesses. The difference between the two is called unmet demand and may indicate an opportunity

for niche development. These calculations are often difficult because of data limitations.

2. Survey trade area consumers regarding their dissatisfaction with local retail. Dissatisfaction levels by retail category can then be used to target categories with retail growth potential.
3. Evaluate the appropriateness of available commercial space. This includes parking, highway access, rents, size of space, nearby labor pool, etc. The commercial space criteria for a supermarket will be different from that of a gift shop.
4. Evaluating the nearby resident market. Their preferences and purchasing behaviors can be assessed through surveys that explore niche viability. Surveys can also be used to determine what types of activities, including entertainment, that nearby residents might want to do downtown.
5. Assess level of local support. Sometimes local residents may feel that a particular niche does not fit the image of their community. Business operators may feel that a new niche may take away from their market. If local residents and merchants are against the development of a proposed niche, it will most likely fail.
6. Understand niche-specific factors. Each niche has its own set of factors that affect its viability.

Niche strategies that are based on either consumer groups or particular goods/services can help a downtown compete in the competitive retail environment. However, niches need to be carefully analyzed so that they are appropriate for a community. If done right, these strategies can lead to business expansions, new business development and significant increases in retail activity.